Austria .. Sch. 20	Indonesia .. Rp 2500	Philippines .. Pes 20
Bahrain .. Din 0.650	Israel .. NIS 3.50	Portugal .. Esc 90
Belgium .. BFr 45	Italy .. L 1500	S. Arabia .. Rls 6.00
Canada .. C$1.00	Japan .. Y 550	Singapore .. S$4.10
Cyprus .. C£0.70	Jordan .. Fils 500	Spain .. Pta 125
Denmark .. Dkr 8.00	Kuwait .. Fils 500	Sri Lanka .. Rup 30
Egypt .. E£1.00	Lebanon .. L 25.00	Sweden .. Skr 7.00
Finland .. Fmk 6.50	Luxembourg .. LFr 45	Switzerland .. SFr 2.20
France .. Fr 8.00	Malaysia .. Rm 4.75	Taiwan .. NT$65
Germany .. DM 2.20	Mexico .. Pes 300	Tunisia .. Din 1.375
Greece .. Dr 80	Morocco .. Dh 6.00	Turkey .. L 350
Hong Kong .. HK$12	Netherlands .. Fl 2.75	U.A.E. .. Dh 6.50
India .. Rup 15	Norway .. Nkr 7.00	U.S.A. .. $1.00

FINANCIAL TIMES

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The future of work, Section III

World news — Business summary

Andrew marries as Duke of York

Prince Andrew, second son of Queen Elizabeth II and fourth in line for the British throne, was created Duke of York shortly before his wedding to Sarah Ferguson in London's Westminster Abbey.

The title was last held by the Queen's father before be acceded to the throne as King George VI in 1936. The prince was also given the titles Earl of Inverness and Baron of Killyleagh, the latter named for a seaside village in Northern Ireland.

The wedding was watched by an estimated worldwide television audience of 350m. The new Duke and Duchess of York will spend their honeymoon sailing around the Azores. **Picture, Page 6**

Italian accord near

Italian Christian Democratic leader Mr Ciriaco De Mita met Socialist Mr Bettino Craxi to work out what is thought to be a compromise deal to end Italy's government crisis. **Page 2**

French tax move

Measures in the French Government's 1987 budget will shift the hurden of proof to the authorities from individual taxpayers. The administratioo will have to justify its claims for payment of back taxes and penalties. **Page 2**

Genscher in US

West German Foreign Minister Hans-Dietrich Genscher flew to Washingtoo to brief US Secretary of State George Shultz on the outcome of three days of talks with Soviet leaders. He said the Kremlin recognised the importance of western Europe in East-West oegotiations.

Gulf war attack

Iraqi aircraft yesterday raided an Iranian arms and ammunition factory oear Tehran and a steel mill in Isfahan. Seven civilians were injured by a rocket.

Bombs in Peru

The offices of Eastern Airlines and those of a Mercedes Benz dealership were slightly damaged in bombings by left-wingers, police in Lima said yesterday. In Colombia, *guerrillas blew up equipment* belonging to a West German oil company.

Channon drug charge

Detectives in Oxford have charged 23-year-old Count Gottfried von Bismarck, descendant of the German chancellor and friend of dead cabinet minister's daughter Olivia Channon, with two drugs offences.

Palme theory

Police bunting the killer of Sweden's Prime Minister Olof Palme believe be may have been assassinated by a member of an extreme sect, the oewspaper Aftonbladet reports.

Journalist expelled

Chinn expelled New York Times correspondent John Burns on espionage charges but Burns, 41, who had travelled through military restricted zones in central China, denied he was a spy. **Page 3**

FT writer dies

James McDonald, shipping correspondent of the Financial Times in the 1950s and 1960s and one of the *longest-serving journalists* on the oaper, died on Tuesday. He was 58. **Page 6**

Racing shake-up

A government-appointed commission chaired by Lord Killanin has recommended that the Irish racing industry, worth about I£1bn ($1.39bn) and in a poor financial state, should be reorganised **Page 2**

Frozen climber

The body of 66-year-old Swiss mountain climber, lost on a glacier for 72 years, has been found locked io ice in the Bernese Oberland.

GM and Chrysler profits fall 18%

GENERAL MOTORS, world's biggest motor manufacturer, reported a 18.5 per cent drop in second quarter net profits to $978m from $1.15bn in the same period last year. Earnings at **Chrysler**, third largest US motor manufacturer, were down 16 per cent. **Page 13**

E. F. HUTTON, the Wall Street brokerage firm which has beeo plagued by a series of management mishaps in the past few years, has reported a $4.7m second quarter loss. **Page 13**

WALL STREET: The Dow Jones industrial average closed up 3.24 at 1,798.37. **Page 34**

LONDON equities rallied, taking the FT ordinary index up 12.1 to 1,286.8. **Page 34**

TOKYO shares were sharply higher. The Nikkei market average advanced 220.75 to 17,680.07. **Page 34**

DOLLAR fell in Londoo to DM 2.1350 (DM 2.1370); FFr 6.89 (FFr 6.8975); SFr 1.7260 (SFr 1.7270), but rose to Y157.30 (Y156.75). On Bank of England figures the dollar's index rose to 113.0 from 112.3. **Page 27**

STERLING rose in London to $1.4920 ($1.4905); Y234.75 (Y233.50), but was unchanged at DM 3.1850, FFr 10.28 and SFr 2.5750. The pound's exchange rate rose 0.1 to 72.9. **Page 27**

GOLD fell $6 to $347.75 on the London bullion market. It also fell in Zurich to $347.20 from $353.70.

In New York, the Comex August settlement was $349.00.

ROMANIA, which is seeking a new timetable to repay its Western debt due this year and next, plans a radical increase in exports in the recently enacted five-year plan to 1990. **Page 2**

US consumer prices rose 0.5 per cent in June after a 0.2 per cent gain in May. Higher costs for petrol, electricity and natural gas were largely responsible for the increase.

VENEZUELA is willing to study any modification that may be proposed in its scheme to repay several billion dollars in private sector foreign debt, the country's planning minister Mr Leopoldo Carnevali said. **Page 4**

FRENCH Government approved draft legislation to privatise the country's main state-owned industrial, banking and insurance groups and oamed the chairmeo of 24 of these concerns. **Page 12; Details, Page 2**

WANG LABORATORIES, the Massachusetts office equipment group, virtually broke even in its fiscal fourth quarter with net profits of $800,000 or one cent a share. **Page 14.**

BANKS OF MID-AMERICA, the biggest banking group in the troubled oil producing state of Oklahoma, reported a $28.9m second quarter loss and warned it might have to stop paying dividends. **Page 13.**

SAFEWAY STORES, the hig US supermarket chain facing a hostile takeover bid from the Dart Group of Maryland, is exploring alternatives to a takeover. **Page 13**

HOFMANN-LA ROCHE, the Swiss chemical group, blamed the sharp rise in the Swiss Franc exchange rate for the 14 per cent decline in sales in the first half from the same period last year. **Page 13**

CREDIT SUISSE, the Zurich bank, *has sold Gruppo Italiano* Vini, a leading Italian wine producer, to Lega Nazionale Co-operative, the Moderna consortium. **Page 14**

CONSOB, Italy's stock market authority, is to meet members of the International Operations Association in London to discuss ways of eliminating settlement delays experienced by foreign investors on the Milan bourse. **Page 14**

XEROX, leading US office equipment group, achieved a 12.5 per cent increased in income from continuing operations in the second quarter to $135m from $120m in the same period last year. **Page 13**

Brazil set to raise $25bn with tight consumer squeeze

BY IVO DAWNAY IN RIO DE JANEIRO

PRESIDENT Jose Sarney of Brazil was last night set to announce a major three-year-development-plan, involving a fiscal package aimed at raising up to Cr 350bn ($25bn) – largely through a system of compulsory loans from consumers.

The plan, substantially more ambitious than was expected, is intended to rein in Brazil's raging consumer boom, promote badly needed, long-term investment, reduce the debts of state sector companies and finance a wide range of government programmes from social welfare to agriculture and infrastructure investment.

President Sarney was scheduled to announce details of the package – dubbed the Targets Plan – on nationwide television and radio last night. But comprehensive leaks have made clear that the scale of the programme is far greater than the simple credit squeeze long anticipated as necessary to adjust the February "Cruzado Plan", which de-indexed the economy and created a new fixed-exchange rate currency.

According to reports, the money raised for a new national reconstruction fund over the next three years could amount to some Cr 350bn, equivalent to about 10 per cent of annual gross domestic product, or a quarter of Brazil's total foreign debt.

Revenue-raising measures expected to be part of the package centre on the imposition of compulsory loans, whereby consumers would be forced to pay substantially higher prices for cars, petrol and alcohol fuels. Travellers would face a non-refundable 25 per cent surcharge on international air tickets and purchases of dollars.

The reimbursable funds – expected to be 25 per cent on fuel and 30 per cent on cars – should be repaid against tax returns in between three and four years. It remains unclear whether interest will be added. These unusual measures have been employed in Brazil before, and were upheld by the courts in the face of legal challenges.

Other moves reportedly in the package include:

● Ending of all inflation-indexation on savings accounts, to be replaced by a new rate based on central bank bills;

● Compulsory subscription of private sector companies to the reconstruction fund for a period of 10 years;

● New taxes on commodities exchanges;

● Increased taxes on profits from short-term interest rates aimed at stimulating longer-term lending;

● Transfer of funds from the national mortgage fund to the central bank;

● Exemption from tax of all foreign investors in Brazilian stocks.

The measures appear to suggest that the Sarney Government intends to carry through its commitment to redistribute wealth from the middle class to the poor.

The programme – particularly the compulsory loan elements – is likely to be highly controversial and will be interpreted by many as lightly disguised tax-raising, to be used to finance a growing public sector deficit. But the stock markets reacted favourably to the leaks yesterday, closing 3.6 per cent up on the Sao Paulo exchange.

The projections for Brazil's public sector borrowing requirement, originally targeted at 0.5 per cent, have recently been revised upwards to 5 per cent. Some unofficial estimates, denied by the Government, have forecast a year-end figure of some 8.5 per cent or Cr 287bn.

The Government has also long been concerned about the inflation-

Continued on Page 12

Howe tells Botha that apartheid must end

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN PRETORIA

SIR GEOFFREY Howe, the British Foreign Secretary, yesterday told President P. W. Botha of South Africa that only the creation of non-racial representative political system in South Africa could save the country from further violence.

Sir Geoffrey set out the views of the 12 members of the European Community – on whose behalf he is conducting a one week-long mission to South Africa and neighbouring countries – at a 2¼ hour meeting with President Botha on the first day of his visit.

Sir Geoffrey is also due to have talks with President Kenneth Kaunda of Zambia in Lusaka today and to visit Botswana, Lesotho and Swaziland before the end of the week.

The foreign secretary told his host, whom he is due to meet again on July 29, of the conditions which both the EEC and Commonwealth countries consider must be fulfilled if a fruitful dialogue between the Pretoria Government and black leaders is ever to take place.

Among these conditions, the most important are the rapid ending of the apartheid system, the release of Mr Nelson Mandela, the African nationalist leader, and the lifting of the ban on the opposition African National Congress (ANC) and other political opposition groups.

Sir Geoffrey said after meeting Mr Botha that the question was not whether South Africa would change but how far and how fast, and whether it would do so in conditions of peace or in "deepening violence."

The international community could not be indifferent to the answers to those questions. "If there is a chance that representatives of the free world can nudge the wheel of history towards peace and reconciliation in South Africa, then that chance must surely be seized," the Foreign Secretary said.

However, Sir Geoffrey was obviously at pains not to offend his hosts by giving them the impression that solutions were being forced on them by foreign countries. Outsiders, whether they were regarded as enemies or friends, could only proceed cautiously if they wished to press successfully for change in South Africa, he said.

They might be intimately concerned, but it was not their country. "Especially if change is to be peaceful, it must come from within."

The Foreign Secretary's anxiety not to tread on the toes of the South African Government was clearly intended to facilitate his task as a conciliator; which is proving to be even more difficult in practice than was foreseen.

President Reagan's firm rejection of sanctions against South Africa on the day that Sir Geoffrey arrived in Pretoria is seen by some officials here as having undermined the European Community's threat of economic measures in the event of failure of Sir Geoffrey's mission.

It is certain, too, that Sir Geoffrey's conciliatory tactics in Pretoria will endear Britain even less than before to the leaders of the African front-line states, most of whom gave Sir Geoffrey a chilly reception when he visited them on the first leg of his mission last week.

President Kenneth Kaunda of Zambia, whom the Foreign Secretary will meet again today, can be expected to reiterate his hostility to the EEC exercise, which he sees as merely a duplication of the earlier

Continued on Page 12

US and UK "provided intelligence to Pretoria," Page 4; Reagan sanctions speech welcomed, Page 3

Mexico pledges to open markets

BY WILLIAM DULLFORCE IN GENEVA

MEXICO has made a long-term commitment to open up its domestic markets to imports and to liberalise its economy in the protocol of accession to the General Agreement on Tariffs and Trade (Gatt) it will sign in Geneva tomorrow.

It undertakes to eliminate import prices and official pricing, to introduce bound tariffs and to follow Gatt codes on licensing, dumping, standards and customs valuation.

It has given assurances that government purchasing, including that by state companies, will conform to Gatt rules and has agreed to negotiate accession to the Gatt subsidies code, which aims at ensuring that a country's use of subsidies does not harm the trading interests of others.

Gatt membership is seen by trade officials in Geneva as an important complement to the economic adjustment plans that Mexico has negotiated with the World Bank and the International Monetary Fund in rescheduling its foreign debt.

By signing the Gatt protocol, President Miguel de la Madrid's government is "sending an important signal that the policy reorientation agreed with the Bank and the Fund is for real and is not a short term ploy to placate creditors", a trade official said.

From another angle the accession to Gatt of the world's 13th largest economy is welcomed as something of a coup for the world trade organisation. "After all, Mexico declined to join Opec," a senior official pointed out.

The terms of Mexico's accession were negotiated with Gatt's existing 91 members in a record-breaking five months, in time for Mexico to be able to participate in the new round of international trade negotiations.

The protocol emphasises Mexico's right as a developing country to preferential treatment under Gatt rules. It explicitly recognises Mexico's sovereignty over its natural resources and its right to maintain export controls over its oil and gas.

The other Gatt members accept that some farm and industrial *development plans call for exceptional* support measures but Mexico has agreed that these programmes will be brought into line with Gatt provisions.

Mexico has undertaken to limit its tariffs overall to 50 per cent of the invoice values for both farm and industrial imports and to exercise

Continued on Page 12

Western executives foresee rise in jobless

By John Lloyd in London

NEARLY 80 per cent of senior executives in leading Western economies believe that unemployment will get worse, or remain static, up to 1990. They also believe, however, that governments can assist in creating jobs. The most popular method would be by giving tax concessions on new hirings.

These are among the findings in a specially commissioned Gallup poll whicb accompanies a major report on the future of work published as a third section with today's FT. The report, and the poll, cover the largest advanced industrialised countries, and shed new light on where joh gains and losses are likely to be.

While employers are gloomy about overall levels of unemployment, more of them expect their own companies to take on workers over the next few years than to lose them.

The trend is particularly strong in the US, where 51 per ceot of companies expect to hire as against 11 per cent expecting to fire – a oet *growth of 40 per ceot. In Japan the* net growth is 22 per cent; io UK 17 per cent; in West Germany 15 per cent; and in France 5 per cent.

It will be the small business sector which provides these extra jobs. A net 37 per cent of small businesses expect to take on workers over the next two years, against 20 per cent for all companies and no growth at all in big corporations.

The adoption of new technology will help companies to expand, but not to increase employment. Net joh growth in the high technology group of companies is forecast to be 16 per cent, as against 20 per ceot for all companies.

Unions are likely to continue to see membership losses, as non-unionised companies grow much faster than unionised ones. A quarter of the companies surveyed bad more than half their workforces unionised, but they made up 42 per cent of those forecasting cuts. In the UK, heavily unionised companies make up balf the sample but 90 per cent of these forecasting cuts.

Though companies say they would be responsive to government actioo to boost employment – only 13 per cent say nothing would induce them to take on extra workers – *the abolitioo of minimum wage* legislation ranks lowest among their priorities, at 7 per cent.

An average of 20 per ceot of all companies think an income policy would help employment – rising to

Continued on Page 12

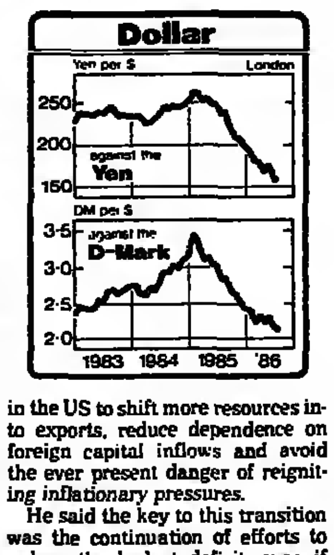
Special supplement, Section III; Editorial comment, Page 10

Volcker: US alone cannot spur growth

BY STEWART FLEMING AND TERRY DODSWORTH IN WASHINGTON

MR Paul Volcker, chairman of the US Federal Reserve Board, told Congress yesterday that only increased international economic policy co-ordination, not faster US growth or a rapid decline in the value of the dollar, offered the prospect of sutained oon-inflationary world expansion.

In his most exhaustive analysis yet of the challenges faciog the major industrial countries Mr Volcker made it clear that, in his view, the US could no longer seek to grow its way out of its economic problems alone and carry the burden of keeping the world economy moving forward.



His comments will be interpreted as indicating the limits to the Federal Reserve Board's freedom of action to tackle the problems of sluggisb US growth and a huge trade deficit through either further cuts in interest rates or a rapid devaluatioo of the dollar.

"Domestically generated growth in the United States will not reduce the international imbalances. Tak*en alone it would aggravate our* trade deficit, furtber posing an even more difficult adjustment problem later," Mr Volcker said.

Mr Volcker again repeated his concerns about the risk of an abrupt dollar declioe, which he said had been a factor io his efforts to co-ordinate international discount rate cuts. "History demonstrates all too clearly that a kind of self-reioforcing cascading depreciation of a natioo's currency, undermining confidence and carrying values below equilibrium levels is not in that nation's interest or that of its trading partners," he said.

He conceded that there was an increased awareness of the need for the industrial countries to co-operate more closely but progress in co-ordinating action .... bas been limited," he said.

Reiterating recent comments which both be and Mr James Baker US Treasury Secretary, have made urging the US's trading partners to grow faster in order to help reduce their trade imbalances, Mr Volcker pointed out that these countries had been depending too heavily on exports for their expansion and must now redirect their economies to domestic growth.

"What is at *issue for some coun*tries is their ability to achieve and maintain vigorous internal growth at a time of high unemployment and ample resources as external stimulus fades away, as it must if international equilibrium is to be restored," he said.

Mr Volcker said far reachiog structural changes would be needed in the US to shift more resources into exports, reduce dependence on foreign capital inflows and avoid the ever present danger of reignit*ing inflationary pressures.*

He said the key to this transition was the continuation of efforts to reduce the budget deficit, even if that meant taking some of the additional revenues raised in the first year of the new tax system which congress is likely to approve and applying them to deficit reductioo.

"The changes of the trade deficit getting better and the chances of the US dealing in that context with fioancial market problems are not very good unless the hudget deficit is reduced more or less in line with the reductioo in the trade deficit," Mr Volcker said.

Mooetary policy alone could not do the job.

On the outlook for the US economy, Mr Volcker said that the 3-3½ per cent growth rate which the Fed had forecast for 1987 relied heavily on "the potential cootribution to that growth of a stronger trade balance."

George Graham adds from London: *Mr Volcker's testimony* sent the US currency this way and that, with no clear trend emerging. Earlier, strong US ecooomic data had strengthened the dollar, and this rise was reinforced by some of Mr Volcker's commeots, interpreted as dampening bopes of another cut in the official discount rate.

Those who expect the dollar to move lower, however, were also able to find ammunition for their views in the Fed chairman's remark that the US discount rate could be cut even without support from Japan and West Germany.

The dollar ended the day in London little changed from its overnight levels. It closed at DM 2.135, down 0.2 pfennig. It gained rather more against the Japanese yen.

Background, Page 4; Currencies, Page 27

CONTENTS

Bonn admits it cannot stem refugee flood

BY RUPERT CORNWELL IN BONN

THE WEST GERMAN authorities yesterday effectively conceded defeat in their efforts to bring a speedy end to the flood of asylum-seeking Third World refugees into the country. This is expected to reach 100,000 this year and is fast overwhelming the country's capacity to cope with them.

This bleak picture emerged from a report to the regular weekly cabinet meeting by Mr Friedrich Zimmermann, the Interior Minister, setting out the inadequate options open to the federal Government. The fact was, he concluded, "that West Germany does not have means enough to deal with any increase in the number of those seeking asylum."

The epicentre of the problem is Berlin. An estimated two thirds of all refugees enter the country through that city, taking advantage of West Germany's generous laws of political asylum, and of Berlin's complex four-power status. The situation is exploited by the East German and Soviet authorities in East Berlin to cause maximum embarrassment for a powerless West Germany.

The suspicion is strong that East Germany, with the tacit approval of the Soviet Union is deliberately encouraging the tide of refugees to force the West to tighten border controls in Berlin. This would have the de facto effect of turning what is technically an interzonal border into something closer to a fully-fledged international frontier, as East Germany wants.

Mr Zimmermann said that of the would-be asylum seekers arriving at the Schoenefeld airport in East Berlin, 60-70 per cent did so with tickets issued by Aeroflot, the Soviet Airline. The bulk of the remainder were issued by Interflug, its East German counterpart.

Mr Hans-Dietrich Genscher, the West German Foreign Minister, raised the matter during his talks in Moscow this week but without success, Mr Zimmermann said. For their part, the three allied powers which govern West Berlin have so far made no detailed statement on the question.

According to the Interior Minister, the cost to central, state and local government of looking after the refugees this year would reach DM 2.88bn (£880m), compared with DM 2.5bn in 1985 when 73,832 people entered West Germany seeking asylum. Almost half the total is made up of Lebanese and Palestinians, Iranians and Turks. But there are also large contingents of Poles, Indians, Sri Lankans, Ghanaians, Afghanis and Pakistanis.

In the first half of 1986, only 15.9 per cent of asylum applications were approved. But the time taken to process applications, the generous rights of appeal, and the possibility of people being permitted to stay on humanitarian grounds, means that many who left their home countries "for reasons other than political persecution," as Mr Zimmerman put it, stay on almost indefinitely.

The Government plans to instal extra staff to speed up the sifting of applications. But the 60,000 cases currently pending mean that it will still take an average two years to process them for the foreseeable future, the minister said. In addition, the ban on applicants seeking work will be extended to five years from the current two.

That might only exacerbate the problem, however. Mr Zimmermann declared that refugees coming through East Germany — notably Lebanese, Palestinians and Turks — were increasingly involved in durg running. Among Ghanaians the crime rate was eight times higher than among other groups of foreigners in West Germany.

Hospitality gives way to fear and anger

Peter Bruce visits Helmstedt, first stop on the train from Berlin, which has been inundated with Third World asylum-seekers entering the country through East Germany.

AT FIRST sight it seems impossible. This is West Germany, not Malaysia or the Thai coast which have been reluctant hosts to tens of thousands of Indochinese refugees. But the tent town erected just south of the station in Helmstedt is for real and so are the 100 or so refugees in it.

Helmstedt, first stop in the West on the train from Berlin and one of the many refugee routes into West Germany, has been inundated by a stream of Lebanese, Indian, Pakistani, Kurdish and Ghanaian asylum-seekers in the past three months.

"We cannot go on like this," warns city manager Lothar Wien. A thousand Third World refugees passed through his town into West Germany in 1984, 5,000 last year, and 7,000 so far this year. He has had to requisition three hotels, two large houses (including one normally used for homeless German men), a school, a pub and a textile factory to house his charges.

"Berlin, with 2m people, has only double the number of refugees that we have, although our population is only 27,000," says Mr Wien. He has had to station senior council officials, including the town's legal officer and its computer expert, to stand watch over the occupants tents who have been the target of extreme right-wing threats.

"The atmosphere in this town has somersaulted," says Mr Wien. "People are scared and angry."

"In June, when nearly 2,000 asylum-seekers poured into Helmsted's station, Germans couldn't get into the town hall," he says. Queues of refugees snaked almost constantly from the station, where they are removed from incoming trains by police to the town's welfare bureau, its health authority and the foreigners' bureau.

All the jnCug —

All an incoming "refugee" has to do at Helstedt station is ask for asylum and the authorities are obliged to take care of him. hTe route to Helmstedt is complicated, but it seems clear that many arrivals are opportunists.

Tricksters in parts of the Third World have discovered that there is no official border be tween East and West Berlin. They advertise flights to a new life of plenty in the West—passage through East Berlin. The East German and Soviet airlines have been happy to pick up the business and their governments equally happy to embarrass Bonn.

Petef, a 25-year-old Ghanaian, who cloims the Government in Accra wants to kill him, flew by East Germany's Interflug from Lagos to East Berlin for 570 naire (£300). He passed into West Berlin but was not sotpped until he reacbed Helmstedt a week ago.

He is not welcome bere. "There are just too many," complains a shopper in the town's exquisitely preserved 15th century market square. "We have poor people of our own to help, and most of these people are not real refugees anyway. And we pay them DM 1,000 a month." That is wild talk. The refugee adults in Helmstedt are given DM 2.7 a day pocket money.

Some of the reaction to their presence here is openly racist. You can forget them, you can gas them. Re-open Bergen-Belsen, screamed one man in the market square.

Another, who lives next door to a house given over to the refugees, snarls: "They are not people. They are pigs. You might as well throw a bomb in there. Everyone in the street thinks so and so does half of Helmstedt."

Those sentiments are not borne out by the effort that Mr Wien and his colleagues have put into accommodating the asylum-seekers. But the refugees' cause has not been helped by the sight of a few Lebanese waving about DM 500 notes in the market square. The local newspaper, claims a member of the Helmstedt Green Party, has "shamelessly" played up these incidents and has encouraged resentment.

For the moment, Mr Wien plans to pull down the tents on August 5 when a new building becomes available. "It's risky because we never know how many people are going to arrive at the station," he says, "but the numbers have begun to slacken off. There were nearly 400 people in the tents last week, but now the authorities in West Berlin seem to be making it more difficult for new arrivals there to travel farther."

Not that the human stream will stop completely while there is money to be made out of it. The advertising in Pakistan has been so seducdve, says one official here, that a gentleman from near Karachi arrived at Helmstedt Station not so long ago, made his pitch for asylum, and then asked the border police if they could arrange for the rest of his luggage to be collected from Berlin.

Coalition compromise takes shape in Italy

BY ALAN FRIEDMAN IN ROME

A COMPROMISE which could end Italy's month-long government crisis appeared on the cards last night.

The first positive indication emerged after a two-hour meeting yesterday morning between Mr Ciriaco De Mita, leader of the Christian Democrats, and Mr Bettino Craxi, the Socialist party leader who was asked on Monday evening to try to form a new government. Mr Craxi resigned as Prime Minister on June 27 following a parliamentary defeat.

Mr De Mita, who is barely on speaking terms with Mr Craxi, came out of yesterday's talks smiling and said: "It seems to me that there is a reciprocal willingness to find an agreement."

Politicians in Rome said last night that the compromise between the feuding Christian Democrats and Socialists could allow Mr Craxi to continue in office as Prime Minister until next spring, in exchange for a Socialist promise to support a Christian Democrat as Premier until the end of the present Parliamanl in June, 1988.

In a statement yesterday, Mr De Mita referred to a compromise proposal put forward last week by Mr Giulio Andreotti, the veteran Christian Democrat who gave up his own ten-day bid to form a government early this week.

That proposal, which was being seen in Rome yesterday as the outline of the possible deal, would not specify the exact date when Mr Craxi would have to step down as Prime Minister. Instead, he would remain until the government passes the 1987 budget and until other legislation, including bills designed to reform Italy's judicial system, is approved.

There was no official confirmation last night that the compromise had been agreed, but a mood of cautious optimism was clear from the declarations of leading politicians. Mr Craxi must in any case cootinue—at least as a matter of form—his round of consultations with all of Italy's political parties.

Any compromise would have to be approved by each of the five parties of the outgoing coalition of Chriatian Democrats, Socialists, Republicans, Liberals and Social Democrats.

THE FALL in oil prices and the weakness of the US dollar against the Italian lira have helped Italy reduce substantially its balance of payments deficit for the first six months of this year, writes Alan Friedman.

Provisional figures released by the Bank of Italy show the payments deficit more than halved for the first half of 1986, at L2,087bn (£955m) against a L5,743bn deficit in the first half of last year.

Italy has benefited more than most European countries from the falling oil prices and the weakness of the dollar (in which crude oil is priced). This is because Italy relies on imports for roughly 70 per cent of its energy requirements, while the European average is closer to 40 per cent.

The Bank of Italy said yesterday that official reserves at the end of June totalled L66,956bn, of which L36,815bn consisted of gold and L17,018bn foreign exchange. The balance is held in European currency units, Special Drawing Rights and other reserves.

Romania spells out export aims

By Leslie Colitt in Berlin

ROMANIA, which is seeking a new timetable to repay its Western debt due this year and next, is aiming to increase exports radically in the five-year plan to 1990. They are to grow by 75 per cent, compared with the previous five-year plan, in order to assure repayment of Romania's debt—$6.6bn at the end of last year.

Bucharest recently asked its commercial bank creditors to reschedule $880m in debt, after lagging exports and heavy debt repayments led to a rundown of its reserves.

Under the plan total foreign trade is to grow by 52.7 per cent in the five-year period, while hard-currency income from tourism, which has fallen in recent years, is to increase by 66 per cent.

The Deputy Prime Minister, Mr Gheorghe Oprea, who recently criticised export performance, says low value exports, such as steel, chemicals and building materials, are to be replaced with more profitable ones.

The ambitious export target compares with actual growth of 0.6 per cent in foreign trade last year. Economics officials in Bucharest said Romania had a hard currency trade surplus of $2bn last year and of $2.5bn in 1984. The goal, they said earlier this year, was for a $2bn surplus this year.

National income — equivalent to GNP minus services — is intended to grow at an average annual rate of 9.9-10.6 per cent, compared with an average annual growth of 3.9 per cent achieved over the last plan period. The target for industrial production is 7.5-8.3 per cent, compared with 4 per cent.

Agricultural output is to rise 6.1-6.7 per cent annually (6 per cent). Real wages are to increase by only 1.2-1.6 per cent annually and retail sales by 1.8 per cent, an indication of the continued belt-tightening for the population which has led to widespread food shortages.

Poland hopes joining IMF will open doors to Western loans

BY CHRISTOPHER BOBINSKI IN WARSAW

WESTERN GOVERNMENTS are continuing to offer Poland new loans in only "symbolic" amounts, according to Mr Zbigniew Karcz, the country's senior debt negotiator at the Finance Ministry. Last month Britain followed the example of West Germany and France by offering a $30m official credit, the first time it had done so since the imposition of martial law in 1981.

Poland has recently joined the International Monetary Fund and the World Bank, and Mr Karcz is hoping that credits from these institutions will help improve relations with Western banks and governments.

An IMF delegation is at present in Warsaw working on the Fund's annual review of the economy, and a World Bank team has only recently departed.

The visits coincide with a government review of the 1986-1990 draft economic plan which Parliament will approve in the autumn. Government aims of boosting exports and improving efficiency throughout the economy by cutting subsidies and balancing supply and demand are broadly in accord with IMF thinking. "But we may have to discuss the pace at which these aims are to be reached," Mr Karcz said, commenting on the prospects of agreeing the plan with the IMF.

In the first six months of this year Poland had a $530m foreign trade surplus, with hard currency exports growing by 9 per cent and imports by 10 per cent. The invisible earnings target of $500m for the year was likely to be exceeded, said Mr Karcz, but he expected overall hard currency earnings to fall short of the target by $200m.

Poland is aiming for a hard currency surplus this year of $2bn. Painful cuts are being made in imports, mainly hitting purchases of equipment and machinery and thus threatening future development prospects, in order to minimise damage to the debt payments plan.

More than $700m worth of debt service payments were made in the first six months, while guaranteed credits raised abroad amounted to $240m. Last year Poland raised $220m worth of credit support.

● Polish trade union leader Alfred Miodowicz has defended himself against complaints from workers that he has become too closely identified with the authorities after accepting top official posts, Reuter reports, quoting newspapers.

The Wsrsaw daily Zycie Warszawy said Mr Miodowicz was criticised when he met workers at a car factory in the capital because of his election to the Communist party politburo.

Mr Miodowicz heads the OPZZ federation of legally-sanctioned trade unions which have replaced the Solidarity movement since it was suppressed under martial law.

The authorities have been careful to allow Mr Miodowicz and the OPZZ unions a wide margin for manoeuvre in order to establish their credibility with workers. Politicians said, however, that Mr Miodowicz's election to the politburo looked like a return to the discredited pre-Solidarity trade union structure whose head was traditionally an automatic politburo member.

French tax reform plan announced

By Our Paris Staff

THE FRENCH Government is preparing an overhaul of fiscal procedures designed to shift the burden of proof to the authorities rather than individual tax payers.

A series of measures to reform the tax system will be included in the government's 1987 budget and will be tabled in parliament in the autumn.

The proposed reforms were outlined at a Cabinet meeting yesterday by Mr Edouard Balladur, the Economy Minister, who had commissioned a special study on this sensitive issue. The report criticised current French fiscal laws for putting the burden on individual tax payers to prove to authorities that their tax returns were filled out and calculated accurately. The report said that from now on the burden should fall on the Administration to justify its claims for payments of back taxes and penalties.

The reforms would limit the current powers of tax and customs inspectors in France. Customs inspectors would have to secure a warrant from a judge before conducting searches of houses or commercial buildings.

The government also plans to reform the system whereby the fiscal authorities can arbitrarily establish the taxable income of individuals on the basis of their living standards or so-called "signes exterieurs de richesse." The employment of servants, ownership of powerful cars, motorcycles, race horses, yachts, golf club membership, country houses are among the list of the outward signs of wealth on which tax inspectors can base their claims.

The government is also proposing to abolish tax inspectors' powers to tax individuals on the basis of conspicuous personal spending without the taxpayer being able to defend himself.

Individuals and businesses are also expected to be given greater possibilities to argue their cases before the fiscal authorities.

The French fiscal authoritiea have traditionall: had wide powers to limit the level of tax evasion in the country. However, their power of establishing arbitrarily the tax liabilities of individuals has long been a major grudge

Bankers bear the brunt of Paris boardroom purge

BY PAUL BETTS IN PARIS

THE FRENCH conservative Government put an end yesterday to the country's biggest guessing game for the past year by appointing chairmen to 24 of the largest state financial institutions and nationalised industrial groups due to be privatised.

Boardrooms of the large state banks and industrial companies had been gripped with uncertainty and suspense well before the March 16 parliamentary elections when it had become obvious that the Right would return to government.

Corporate strategies in many cases were suspended until it was clear whether or not the new Government would carry out a witch hunt in the state sector. Speculation about who would be kept on and who would be fired replaced the usual conversation about domestic help and rents in Paris salons.

The leaking of the list of 24 candidates in the past few days, despite Government efforts to keep it secret until yesterday's Cabinet meeting, has mitigated the suspense. As expected, the Government sought to appear pragmatic and fair in its selection, by replacing exactly half of the 24 chairmen.

It clearly could not avoid giving positions to several candidates who had long been promised jobs; thus Mr Jean-Maxime Leveque, former chairman of Credit Commercial de France (CCF), who fought vigorously against the left's nationalisation programme and subsequently formed his own political movement, was appointed chairman of Credit Lyonnais, the second largest French commercial bank, in place of Mr Jean Deflassieux.

In the same way, Mr Bernard Pache, the respected apolitical chairman of the Pechiney aluminium group, had to make way for Mr Jean Gandois, the former chairman of Rhone Poulenc.

In an effort to avoid being accused of carrying out a political purge, the Government sought where possible to replace chairmen with candidates from inside their groups. Perhaps the biggest surprise of all was the change at Compagnie Generale d'Electricite (CGE), where Mr Georges Pebereau was replaced by Mr Pierre Suard, vice president of CGE's Alcatel telecommunications subsidiary.

Mr Pebereau had not been expected to be replaced, although the independent and prolific CGE deal maker had made many enemies during his long years at the telecommunication and engineering group. He orchestrated the merger of Thomson and Alcatel's telecommunications assets, acquired the largest stake in the Framatome nuclear plant group and recently negotiated a landmark agreement with ITT at the same time as negotiating a separate deal with AT&T. The future of these deals, awaiting approval by the Government, could now be affected.

Mr Alain Madelin, the Industry Minister, claimed yesterday however that the boardroom movement involved what he called "change in continuity." Mr Pebereau, he said, belonged to a breed of corporate empire builders and such managers were not always the best men to carry out the necessary reorganisations after conquering their territories.

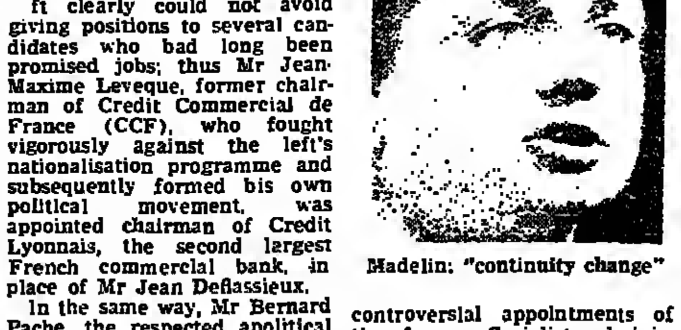
At Paribas, the large commercial bank, Mr Jean-Yves Haberer was replaced by Mr Michel Francois-Poncet, an insider who is also a friend of Mr Chirac. Although Paribas managers had campaigned for Mr Haberer's reconfirmation, Mr Francois-Poncet is regarded by many as a good choice.

At Suez, the other leading financial institution, Mr Renaud de la Geniere, the former governor of the Banque de France, replaces Mr Jean Peyrelevade, who despite his dynamic efforts to restructure the Suez group, was unable to shake off his Socialist antecedents.

The replacement of Mr Jacques Mayoux, chairman of Societe Generale, the country's third largest commercial bank, was also a surprise. His job will be taken over by the bank's current number two, Mr Marc Vienot.

To back up its claim that new chairmen have been chosen essentially on grounds of competence, the Government has kept on 12 of the existing heads of large banks, insurance companies and industrial groups.

Mr Alain Gomez, chairman of Thomson and one of the most



Madelin: "continuity change"

controversial appointments of the former Socialist administration, has been reconfirmed. Mr Gomez has been credited for returning Thomson to the black and instilling in the large defence and electronics group a modern American - style management approach.

Mr Rene Thomas, chairman of Banque Nationale de Paris, the country's largest bank, was reconfirmed as was Mr Jacques Stern, who has helped the Bull computer group return to profit. Mr Michel Pecqueur was also reconfirmed at the top of the Elf-Aquitaine oil group.

Although the Government wanted to show that it would not carry out the radical purge the Left undertook in 1982 in the nationalised sector, some chairmen were nonetheless politically doomed. Mr Loik Le Floch-Pringent, the chairman of Rhone Poulenc, who is being replaced by Mr Jean-Rene Fourteu, a management consultant, was one such case.

Mr Madelin remarked yesterday that it would not have been decent for Mr Le Floch-Pringent to have been kept on since he had been one of the architects of the Left's nationalisation policies.

But yesterday's nominations, approved with reservations by President Francois Mitterrsnd, have hardly removed the clouds hanging over the big French industrial and financial groups. If the groups are relieved that the uncertainty over their chairmen is now over, they must now face the complex task of privatisation.

The mechanics, timing and practical execution of the privatisation process have yet to be clearly defined, and so far, as one foreign banker remarked, the Government has carried out only the relatively easy par'

NEW FRENCH APPOINTMENTS

INDUSTRY
CGE: Mr Pierre Suard replaces Mr Georges Pebereau
Rhone-Poulenc: Mr Jean-Rene Fourtou replaces Mr Loik Le Floch-Pringent
Pechiney: Mr Jean Gandois replaces Mr Bernard Pache
Thomson: Mr Alain Gomez reconfirmed
Bull: Mr Jacques Stern reconfirmed
Saint-Gobain: Mr Jean-Louis Beffa reconfirmed
CGCT: Mr Claude Vincent reconfirmed
Elf: Mr Michel Pecqueur reconfirmed

BANKING
Suez: Mr Renaud de la Geniere replaces Mr Jean Peyrelevade
Paribas: Mr Michel Francois-Poncet replaces Mr Jean-Yves Haberer
CIC: Mr Jean Dromer replaces Mr Georges Dumas
Credit Lyonnais: Mr Jean-Maxime Leveque replaces Mr Jean Deflassieux
Societe Generale: Mr Marc Vienot replaces Mr Jacques Mayoux
Banque de Bretagne: Mr Xavier Henry de Villeneuve replaces Mr Jean Michaudet
Banque Hervet: Mr Jean-Baptiste Pascal replaces Mrs Lisette Mayret
CCF: Mr Gabriel Pallez reconfirmed
BNP: Mr Rene Thomas reconfirmed
Societe Marseillaise de Credit: Mr Jean-Paul Escande reconfirmed
BIMP: Mr Pascal Gendreau reconfirmed
Banque du Batiment et Travaux Publics: Mr Alain Treppoz reconfirmed

INSURANCE
UAP: Mrs Yvette Chassagne reconfirmed
AGF: Mr Michel Albert reconfirmed
GAN: Mr Francois Heilbronner replaces Mr Bernard Attali
MGF: Mr Jean-Claude Jolain replaces Mr Serge Barthelemy

Irish horse racing shake-up proposed

By Hugh Carnegy in Dublin

THE IRISH horse-racing industry, whose total investment is worth about £1bn ($1,540m) and employing some 25,000 people, is in a poor financial state and should be substantially reorganised, a government-appointed commission recommended yesterday.

The commission, chaired by Lord Killanin, said a new thoroughbred industry board should be set up to replace the racing board as the industry's umbrella organisation charged with all aspects of the development and financing of horse-racing, including the successful breeding business.

It was vital that tax exemption on income from stallion stud servicing, introduced in 1969, be continued to maintain Ireland's position as a leading centre of bloodstock breeding. This was an important contributor to the economy, currently employing 12,000 people, compared, for example, with 9,000 in the growing electronics sector. Removal of the exemption would certainly lead to the removal abroad of stallions, 74 per cent of the most valuable of which were now foreign-owned, the Commission said.

It recommended that the tote be computerised to make it more efficient and to enable it to cope with telephone credit betting.

The commission said one fifth of the 10 per cent levy on off-course betting should be ploughed back into racing and the Republic's race courses should receive a cut from on course betting. At present race course income is derived solely from gate, bar and catering receipts. Ireland was probably the only country where race courses get nothing from both off- and on-course betting.

The commission said most of the Republic's 26 race courses were not commercially viable. Attendance at the 227 race meetings last year was below 1m for the first time in several years. Priority should be given to improving certain courses while others would inevitably have to close.

Eta threat of more violence

By Tom Burns in Madrid

THE BASQUE separatist organisation, Eta, yesterday admitted responsibility for the rocket attack on the Defence Ministry in Madrid on Monday and warned of continued violent strikes against what it termed "the oppressive Spanish state."

A feature of its statemeot was the inclusion of a veiled threat against France. Eta accused the French Government of "submissive collaboration" with the Spanish authorities and said that the Madrid Government now bore "the historic responsibilities" for placing France alongside the enemies of the Basque people.

This was the organisation's first response to recent developments in France which have included the handover to the Spanish police of two Eta suspects, the deportation to Togo of Eta reputed leader, and the promise by Mr Jaques Chirac, the French Prime Minister, of continued action against the Spaniah Basque refugee community connected with Eta in south-western France.

Yesterday in Parliament, Mr Manuel Fraga, leader of the conservative opposition, said he would be pressing for tighter anti-terroriat legislation. In an implicit reference to the radical Basoue Party, Herri Batasuna, which acts as Eta's political front, he said he would be specifically seeking a law penalising and outlawing support for terrorist groups.

New town for N-workers

A NEW township is being built south of Chernobyl for 10,000 workers at the nuclear power plant and a massive effort is under way throughout the Ukraine to house evacuees from the nuclear disaster, the Communist daily Pravda said yesterday. Reuter reports from Moscow.

The newspaper's report indicated that most of the 100,000 people evacuated from an 18-mile zone around the Chernobyl plant after the April 26 disaster there will not return home.

Austrian state companies told they must make profits

BY PATRICK BLUM IN VIENNA

● Mr Ferdinand Lacina (left), the new Finance Minister, is threatening to sell off loss-making companies

AUSTRIA'S state-owned industries must run efficiently and profitably or face privatisation, Mr Ferdinand Lacina, the country's new Finance Minister, warned yesterday. There had to be an end to subsidising loss-making nationalised industry even if that meant selling part of them to the private sector, he said in an interview on Austrian radio.

Mr Lacina's comments are the strongest to date on this issue by a member of the Socialist?led coalition Government. They reflect his increasing exasperation with the state holding company, OIAC, and the way it is run. Until last month's government reshuffle, he was the minister responsible for the nationalised industries but had been kept largely in the dark about the state of some of the companies.

His comments yesterday were in direct response to suggestions made the day before at OIAG's annual news conference, that it would need at least another Sch 30bn (£1.3bn) in government subsidies in the next few years to cover losses and restructuring costs. OIAC made record losses of Sch 12.5bn last year and is expected to lose at least Sch 4bn this year.

The companies for which it is responsible had received substantial government help in recent years, said Mr Lacina, and the next package of subsidies to be decided upon this summer would be the last. He also suggested that the figure of Sch 30bn was far in excess of what the Government could or would be prepared to extend.

Mr Oskar Cruenwald, the OIAC board chairman, had tentitively admitted the previous day that Voest-Alpine, the steel and engineering group and largest of the OIAC companies, could alone need as much as Sch 20bn in subsidies. According to various estimates several other companies would also need at least Sch 10bn, including Sch 5.4bn for Vereinigte Edelstahlwerke (VEW) Voest's special steel subsidiary, Sch 2.5bn for Chemie Linz, the chemicals group, and about Sch 1bn for Elin-Union, the electrical equipment and engineering concern.

Finance Ministry officials said yesterday that the Government would make more money available to the nationalised industry for the period 1986-1990 but only on the basis of clearly defined restructuring plans. OIAG companies were expected to return to profit before 1990, one official said.

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S Africa welcomes Reagan opposition to sanctions

BY BERNARD SIMON IN JOHANNESBURG

THE South African government yesterday welcomed President Ronald Reagan's opposition to sanctions without giving any indication that it is willing to implement the six-point peace plan for South Africa outlined by the US President in his major policy speech on Tuesday night.

In a statement issued hours before his first meeting in Pretoria with Britain's Foreign Secretary, Sir Geoffrey Howe, South Africa's Foreign Minister, Mr Pik Botha said it was "encouraging" that Mr Reagan had acknowledged Pretoria's race reforms.

He also specifically welcomed Mr Reagan's view that the Pretoria Government is under no obligation to negotiate with any group seeking to create a Communist state or using violence to achieve its aims.

In this respect, Mr Reagan's position closely reflects that of the South Africans, who have refused to release imprisoned black leader Mr Nelson Mandela, or to start negotiations with the African National Congress (ANC) unless they renounce violence.

The South African authorities often portray the ANC as a Communist-dominated organisation.

Mr Botha repeated the Government's recent hard line towards foreign pressure, saying that "if foreign intervention and threats continue, South Africa will be obliged to withdraw into the *laager*, as this will be the only way to maintain the values which the West claims to uphold."

The United Democratic Front, a multiracial umbrella body for civic associations, trade unions and other groups, accused Mr Reagan of "buying time" for the Botha Government.

Two leading anti-apartheid churchmen, Bishop Desmond Tutu and Dr Allan Boesak, both said they found the US President's remarks "nauseating."

According to Dr Boesak, President P. W. Botha will never negotiate directly with black leaders "as long as he knows the US will always bail him out when the world wants to put pressure on him."

On the other hand, white businessmen generally supported Mr Reagan's views, including both his opposition to sanctions and his plea for faster and more fundamental political change in South Africa.

Mr Pik Botha said Mr Reagan under-estimated the costs to black countries in Southern Africa of imposing punitive sanctions against Pretoria.

There was also a critical response to President Reagan's speech from African countries meeting in Addis Ababa to prepare for next week's meeting of the Organisation of African Unity (OAU).

Prof. Bolaji Akinyemi, Nigeria's foreign minister, said his government was "shocked and dismayed."

Gen. Joseph Garba, chairman of the United Nations Anti-Apartheid Committee, said President Reagan's speech could have been written by President Botha. "I condemn it unreservedly," he added.

In Lusaka, Zambia, where South Africa's banned African National Congress has its headquarters, a spokesman said President Reagan's speech was "not surprising. We were not expecting anything new from him."

● Victims of apartheid in South Africa are to receive Ecus 5m (£3.2m) from the EEC, the European Commission announced in Brussels yesterday.

The aid will go to non-violent organisations, such as churches and trade unions, the Commission was careful to add, noting that the money is intended to help with education and training programmes.

South Africa's black National Union of Mineworkers (NUM) yesterday threatened to take "massive industrial action" if coal mines sack workers in response to a reduction in exports caused by sanctions, Reuter reports.

The Chamber of Mines, which groups the major mining companies, said the coal mines were preparing plans to lay off workers.

"The chamber's threat to retrench thousands of coal mineworkers because of the sanctions campaign is an irresponsible action," Mr Cyril Ramaphosa, NUM general-secretary, said.

The NUM "once again warns the chamber and the Pretoria régime that, should retrenchments take place in the mining industry, massive industrial action will be embarked on.

Peres holds third round of talks in Morocco

By Our Middle East Staff

MR SHIMON PERES, Israel's Prime Minister, held a third round of talks in Morocco yesterday prior to his expected departure for Tel Aviv.

The visit, understood to have concentrated on exploring avenues for a Middle East peace settlement, was only the second by an Israeli head of government to an Arab country. King Hassan of Morocco was scheduled to make a televised address to the nation following Mr Peres's departure.

Most Arab countries have declined to comment on the talks, apart from Syria which broke relations with Morocco, and Egypt which considered the meetings to be a positive step.

Mr Peres's trip received a generally sympathetic response in the Israeli press which discerned a further split in Arab ranks and a strengthening of the moderate centre favourable to a negotiated settlement of the Palestinian issue.

In particular, Israeli newspapers suggested that King Hassan and Mr Peres had discussed the possibility of drawing *prominent Palestinians* into negotiations who were not wedded to the hardline attitudes of the Palestine Liberation Organisation.

This is also an objective of King Hussein of Jordan.

Stephanie Gray, recently in Auckland, charts rising discontent of an indigenous minority

Maoris attack New Zealand's equality 'myth'

FOR ALMOST three generations, New Zealanders have genuinely believed that race relations in their country were an example to the rest of the world.

The white majority cherished the image of the genial Maori strumming his guitar in the local pub and widespread intermarriage (few, if any, Maoris are without a European ancestor) reinforced the myth.

That myth has, over the past 10 years been exposed in the wake of an extraordinary renaissance of a culture that Trollope, among others, confidently predicted was close to extinction more than 100 years ago.

Maori demands have escalated from those concerning language, education and land to the more extreme calls from the Ahika Maori nationalist movement for the removal of all whites from their country who are not prepared to follow Maori tenets. Ahika's separatist tendencies have been greeted with alarm by both moderate Maoris and most Europeans.

Various explanations are offered on the roots of a revival whose strength has largely overwhelmed ancient and bitter tribal rivalries and united extremist youth and conservative, authoritarian elders.

One is that it was a local extension of liberation movements elsewhere in the world—an idea generally pooh-poohed by most white New Zealanders who find it difficult to see that the Maori has been subjected to any sort of injustice.

Another is that influential elders had finally to grapple with the reality of disproportionately high school failure rates and prison populations.

The most likely, however, is the emergence of an articulate class of Maori bureaucrats. They are the children of parents who were beaten for speaking their language in school and for whom survival in the affluent European, or Pakeha, world was paramount.

Having gained their credentials, this new elite of "assimilated" Maori has felt aggrieved at the expense of the exercise—the loss of their language and the spiritual wealth of their sophisticated and complex cultural heritage, or Maoritanga.

The background to these developments are statistics that show incomes of Maoris — who make up about 13 per cent of the 3.2m population—at about half those of non-Maoris. They are badly under represented in the professional, technical, managerial and sales sectors, making up 84 per cent of the non-skilled workforce.

A report prepared by a former race relations conciliator, entitled "Race Against Time," showed that just over 67 per cent of Maoris leave school with no qualifications, compared with 28.7 per cent of Pakehas. Maoris make up more than 50 per cent of the prison population, mainly for disorder offences — drunkenness, indecent, riotous or offensive conduct.

A Maori girl . . . looking for a renaissance

Lack of success in European terms has been more marked since the urban drift of the 1950s and 1960s and, rightly or wrongly, there is a view that Maoris are not failing within the system but the system is failing Maoris.

With 75 per cent of the indigenous population under 25 years of age and increasing incidence of glue sniffing among "street kids"—the successors of the gang phenomenon—efforts to reverse the trend have become imperative.

The most successful of these moves has been the introduction in the last couple of years of the Kohanga Reo, or language nests. Four hundred of these institutions have been set up in two years to teach pre-school children the Maori language—the most crucial element in the survival of the culture.

The Kohanga Reo system was instigated and has been implemented by Maori people from all walks of life and has had little or no official backing. The hope is that thousands of Maori-speaking children coming into state primary schools will force the Education Department to continue the process.

There is criticism that this has not happened and Maoris have started setting up their own private schools to ensure that the language gains are not lost. A Maori university, so far unrecognised by the authorities, has also been established.

What has happened in the state schools is the introduction of *taha Maori*, the Maori dimension. It is a loosely structured session during which pupils may learn Maori chants, customs or history.

To the growing number of Maori radicals, *taha Maori* is dismissed as another example of the superficial cultural icing on the white cake—just like the Maori carvings in New Zealand embassies.

To a growing number of Pakeha parents, it is something of a threat and has led to what Mr Walter Hirsh, the present race relations conciliator, calls "white flight" from many of the schools with a high concentration of Maori and Polynesian Island children where taha Maori is taken rather more seriously.

Mr Hirsh describes "white flight" as a blatant expression of racism and prejudice and he is probably partially right.

Certainly, as the indigenous culture becomes more assertive racism on both sides of the colour divide has become more apparent.

There are moves in the Government to give the Maori language official status and to give the Waitangi Tribunal, a hitherto toothless panel, the scope to examine land and other grievances dating back to 1840.

Whether these will be enough to staunch Maori discontent *remains to be seen*. In the meantime, as one eminent Maori put it, there are bound to be "a few sharp edges" in relations between the majority culture and that of the proud, indigenous minority.

The white backlash to the renaissance is only just beginning to emerge. With any luck, the coming conflicts will not get out of hand.

Foodgrain fall hits Indian economy

By K. K. Sharma in New Delhi

THE INDIAN economy did not perform as well in 1985-86 as the Government had forecast, mainly because a monsoon last year affected foodgrain production.

Output is now estimated at 148m tonnes, substantially lower than the target of 159m tonnes for the year.

Since foodgrain production is just over the level of 146.2m tonnes recorded in 1984-85, the growth of the economy in 1985-1986 depended almost entirely on industrial production. Latest estimates are that industrial production increased by less than 6 per cent in the year.

This means the expected overall growth rate of 5 per cent in 1985-86 over the previous year will not materialise. Growth is now expected to be less than 4 per cent.

The virtual stagnation in foodgrain production will not lead to shortages as Government stocks are at a record level of 23m tonnes, mainly because of high levels of grain production in previous years and a highly successful procurement programme by Government agencies.

Newsman expelled

CHINA yesterday expelled New York Times correspondent John Burns for alleged spying arising from his recent trip through central China, our Foreign Staff writes. Mr Burns, whom the Chinese said had entered a military restricted zone and taken "numerous photographs of classified objects," denied the charges on his arrival in Hong Kong.

Egypt slashes oil export prices

By Tony Walker in Cairo

EGYPT HAS slashed its oil export prices in an attempt to boost sales in the face of looming serious balance of payments problems.

The Egyptian General Petroleum Corporation (EGPC) announced that it is cutting the price of its top grade Suez blend crude by some $4 a barrel to $7.35. Prices of cheaper grades are also being heavily discounted.

Egypt's oil sales slumped in the first half of 1986, according to oil industry officials. The daily volume of oil sold in the past several months is around 10-15 per cent of last year's levels.

Foreign oil company representatives are critical of Egypt's pricing and marketing policies, at a time of intense competition in the world market. Egypt has been slow in bringing prices into line with the market. It has also been sluggish in taking advantage of market opportunities.

Egyptian crude exports averaged 250,000-300,000 barrels a day last year. In recent weeks, exports have averaged 30,000-50,000 barrels a day. Oil revenues are well down on even the most gloomy forecasts of Egyptian officials, who were expecting a reduction of some $1.2bn (£784m) in a full year.

Meanwhile, official figures indicate that the rate of Egypt's population growth is continuing to accelerate.

Egypt's population passed 50m earlier this year. That figure is increasing at the rate of 1m every eight months, or a birth each 21.6 seconds.

British businessman detained in Iraq

BY SIMON HENDERSON IN BAGHDAD

A BRITISH businessman has been arrested in Iraq in connection with alleged corruption. Mr Ian Richter, local manager of the British water engineers Paterson Candy International, was detained as he was leaving Baghdad airport.

Mr T. J. Clark, the British Ambassador, was told by the Iraqi Foreign Ministry that there was "alleged evidence of dealing in commissions," and that Mr Richter would be held until investigations were finished.

Paterson Candy International has won a series of contracts in Iraq since the early 1980s, including part of the work on the first stage of the $1bn (£660m) Karkh water scheme on the south bank of the River Tigris as it passes through Baghdad.

Since his arrest on June 17, Mr Richter has only been seen once by a British consular official. At the five-minute meeting, held in the Foreign Ministry on July 10, Mr Richter was not allowed to speak.

A senior official at the Iraqi Ministry of Information was not prepared to comment on the arrest of Mr Richter.

Diplomats in Baghdad are speculating that there is a connection with the dismissal from office on June 22 of the mayor of Baghdad, Mr Abdel-Wahab Mohammed Latif Al-Mufti, for, in the words of a presidential decree, "unfaithfulness in his responsibility in preserving the Government's money."

AMERICAN NEWS

US and UK 'provided intelligence to S Africa'

By Reginald Dale, US Editor, in Washington

US AND British intelligence agencies have provided South Africa with secret information about the banned African National Congress (ANC) in return for intelligence on Soviet and Cuban activity in Africa, the New York Times reported yesterday.

While one senior official denied the report, current and former US officials told the New York Times that both political intelligence and specific warnings about planned ANC attacks were given to South Africa by the US under President Ronald Reagan at least into the mid-1980s. Mr Larry Speakes, the White House spokesman, said yesterday that the report was "not true."

A British Foreign Office official said last night it was not government policy to comment on reports relating to security matters.

The New York Times said it could not determine whether the US was still providing information on the ANC, nor whether South Africa had used the information to prevent ANC attacks or prepare retaliatory raids on ANC bases in other Southern African countries.

The report, however, included a detailed account of a meeting between high-level US, British and South African intelligence agents at the UK Government communications headquarters at Cheltenham in the mid-1980s.

In an exchange of "tasking requirements," the South Africans reportedly asked the US and Britain to supply an extensive array of political, military, diplomatic and economic data on Africa, including intercepted information concerning the governments of Angola, Mozambique, Zambia and Botswana. The South Africans also wanted information on the movements of Mr Oliver Tambo, the ANC president.

South Africa, with no intelligence satellites, had depended on US and British communications intelligence for information on black nations beyond the range of its own interception equipment, the New York Times said. In return, the US and Britain were given information on Soviet shipping and submarine activity around South Africa, and on Soviet and Cuban involvement in neighbouring African countries such as Angola.

Meanwhile, Mr George Shultz, the US Secretary of State, carried Mr Reagan's latest campaign against sanctions to Capitol Hill.

Mr Shultz told the Senate Foreign Relations Committee that in trying to promote dialogue the US planned to step up its contacts with the black opposition in South Africa, including the ANC. Despite serious concerns over the ANC's links with communism and its use of violence, the US recognised that it had become "an important part of the South African political equation," Mr Shultz said.

Volcker urges international action on growth

MR PAUL VOLCKER, chairman of the US Federal Reserve Board, focused the main emphasis of his half-yearly statement to the Senate banking committee yesterday on the need for co-ordinated international action to maintain stable growth at home and overseas, writes Terry Dodsworth in Washington. It was "of concern," he said, that the domestic markets of the US's major industrial competitors had remained so sluggish. The following are excerpts from his testimony.

Disequilibrium in the industrial World

"Some obvious imbalances have developed in the economies of the industrialised world. That is evident most of all in the enormous deficit in our external trade and current accounts, and in the counterpart surpluses of a few other countries. Unless dealt with effectively and constructively, growing market and political pressures will, sooner or later, inevitably have much more disturbing consequences.

"We cannot . . . build a lasting foundation for sustained growth and stability on massive international disequilibrium — huge and rising trade deficits in the US and counterpart surpluses abroad. Nor can we count on satisfying indefinitely so much of our own needs for capital by drawing so heavily on the savings generated elsewhere in the world.

"Today, the imbalances and strains are clearly showing. The forward momentum of our economy has been sustained almost entirely by consumer spending and housing construction, both of which have been accompanied by unsustainably heavy borrowing. For more than a year, industrial production in the US has not grown appreciably, and there has been some decline in 1986. The pace of business investment has slackened.

"A large part of the difficulty stems from the continuing imbalances in the world economy. On the average, growth rates in major European economies and Japan were about threequarters per cent less than the reduced growth path of the US during 1985 and the first quarter of 1986. However, the more disturbing contrast lies in the source of that growth.

"In the US, the rate of growth in domestic demand, while slowing in the third year of expansion, continued to average about 3½ per cent through that period. Domestic demand growth in the industrialised countries of Europe and Japan was significantly less—about 2½ per cent. In the early part of this year, when their exports slackened, those countries grew not at all.

Prospects for investment and for manufacturing activity in the US are heavily dependent on an improved trade outlook. The sharp decline in the dollar since its peak in early 1985 should help set the stage for such an improvement.

"However, the deterioration in actual trade in manufactured goods has slowed little. The decline in the dollar is both relatively recent and from a very high level, so the absence of a stronger response in trade is not entirely surprising. What is of concern is that the domestic markets of our major industrial competitors have remained so sluggish, raising a question as to the buoyancy of the markets for our exports and of their own growth prospects.

"Quite clearly, it is in no one's interest—not the US or other countries—that we seek better balance in our external accounts by deliberately restraining further our own growth rate. But it is also true that, as things now stand, stronger domestically generated growth in the US will not reduce the international imbalances. Taken alone, it would aggravate our trade deficit further, posing an even more difficult problem later.

"In a few foreign countries, such as Germany, some signs of stronger internal growth have appeared in recent months.

"With rising currencies and falling oil prices, some of those countries after years of effort have now successfully achieved virtual stability in consumer prices . . . what is at issue for some countries is their ability to achieve and maintain vigorous internal growth at a time of high unemployment and ample resources as external stimulus fades away, as it must if international equilibrium is to be restored.

"The appreciation of their currencies and the strong deflationary influences of low oil and other commodity prices would appear to offer a prime opportunity for reconciling those goals of domestic growth and stability."

The International Debt Problem

"Collectively, the heavily indebted countries of Latin America and elsewhere have made an enormous effort to adjust their external accounts; in fact, in 1984 and 1985 they were in rough current account balance, in contrast to an aggregate deficit of about $50bn in 1982.

"Many of those countries are again growing, in some cases with vigour, as is the case with the largest single debtor, Brazil. In the midst of this progress, the sharp decline in oil prices over the past six months has had an enormous adverse impact on the oil exporting heavily indebted countries—Venezuela, Nigeria, Ecuador and Mexico.

"I must also emphasise one essential ingredient for success (in solving the Latin American debt problem) beyond the capacity of the indebted countries to manage. Only a stable growing world economy, with markets open to the developing world, can provide an environment conducive to economic expansion, more normal interest rates, and orderly debt service by the borrowers. That ingredient is plainly the responsibility of the industrialised world alone. It is one of the reasons why we must collectively deal with the obvious imbalances among us."

Monetary Policy in 1986

"The general structure of interest rates is now as low as at any time since 1977. The reductions in interest rates in 1985 and 1986 have clearly helped support the interest-sensitive sectors of the economy reflected in part in the highest level of housing starts since the late 1970s. The declines have also helped ease the debt-servicing costs of businesses, farmers, developing countries and the US Government itself.

"On the other side of the ledger, as interest rates have declined, the rate of growth in debt has remained at disturbingly high levels, although there are at least faint signs of a slackening in the rate of debt creation after a burst around the turn of the year.

"The rate of growth in M1, which ran at almost 13 per cent over the first half of the year, was far above the Federal Open Market Committee's target range. Action to restrain that growth within the target range —which would have required reducing the provision of reserves and a significant increase in pressures on bank reserve positions—was not deemed desirable in the light of other important considerations.

"One of these considerations was that growth in the broader measures of money—M2 and M3—remained well within their respective target ranges of 6 to 9 per cent, ending the second quarter close to their mid points. That and other evidence suggested that much of the growth of M1 reflected a shifting of the composition of liquid assets, rather than excessive, and potentially highly inflationary, money creation.

"Experience over the first half of 1986 underscored the difficulty—I would say the impossibility—of conducting monetary policy in current circumstances according to one or two simple pre-set criteria. The weight of the evidence strongly suggests that M1 alone during this period of economic and institutional transition, is not today a reliable measure of future price pressures. The more restrained performance of the broader aggregates as well as the performance of the economy and prices themselves, point in a different direction.

"Events of recent years have also heavily underscored how cumbersome fiscal policy can be and the difficulties of achieving political consensus on such matters as tax reform, and the appropriate legislative framework for financial institutions. On an international scale, achieving consensus on appropriate action can be still more difficult.

"We have, nonetheless, come a long way towards restoring growth and stability in this decade but my sense is that all that progress is in growing jeopardy unless we act—we in the US, we in the industrialised world and we in the world as a whole in mutually supportive ways.

US ECONOMIC PROJECTIONS

	1986 (per cent) Range	1986 Central tendency	1987 (per cent) Range	1987 Central tendency
Nominal GNP growth	3.75-6.5	4.75-5.75	5 -8.25	6-7.5
Real GNP growth	2.25-3.5	2.5 -3.00	2 -4.25	3-3.5
GNP deflator	1.5 -3.25	2.25-2.75	2.5-4.25	3-4
Average unemployment rate	6.9 -7.2	7	6.5-7.00	around 6.75

Source: Federal Open Market Committee members and other Federal Bank presidents

Venezuela may alter repayment plan to quell bankers' worries

BY JO MANN IN CARACAS

THE VENEZUELAN Government is willing to study "any modification" that may be proposed in its scheme for repaying several billion dollars in private sector foreign debt, Mr Leopoldo Carnevali, Venezuela's Planning Minister said yesterday.

His comments represented the first public effort to mollify international banks, many of which are angry about recent government measures affecting approximately $7bn (£4.7bn) in foreign debt held by private sector companies.

These measures, bankers say, will force many Venezuelan companies into insolvency and will have a serious impact on the earnings of banks with any significant exposure in Venezuela. In protest, some large banks have withdrawn trade lines for Venezuelan customers, and others are studying the possibility of suing the Venezuelan central bank.

A senior government official said the Government would consider proposals to change the private debt plan, but these would have to come from the Congress. This indicates that the Government is aware it must alter some of the terms of its private debt programme but must move cautiously, since foreign debt is a highly-charged domestic political issue.

Earlier this month the Venezuelan legislature approved a law authorising the Government to issue dollar-denominated bonds to be used in paying off the debt. The bonds are to mature in no less than 15 years and carry no more than 5 per cent a year interest.

Last week President Jaime Lusinchi announced a partial devaluation of the country's currency, the Bolivar. The devaluation raised the local currency costs of paying off foreign debt under a government subsidiary programme by over 74 per cent.

A series of decrees and other government decisions made public over the last few days clarified some confusing points on the private debt. The Government will still provide foreign currency at the old, subsidised rate (bolivars 4.30 to the dollar) in a limited number of cases. These include Paris Club debts, foreign debts of up to $500,000, principal payments on "eligible" foreign debts during the first two quarters of 1986, CDs denominated in foreign currency not held by financial institutions and others.

The Venezuelan government owes foreign banks about $25bn, while total private sector foreign debt is estimated to be around $13-$15bn. Of the latter, about $7bn is covered by a government programme which provides foreign currency at subsidised exchange rates for payment of interest and principal.

Bankers have been discussing foreign debt problems with Venezuelan officials and businessmen since February 1983, when exchange controls were imposed and a major devaluation occurred. Foreign banks have been particularly frustrated by Venezuela. The country has a high level of foreign reserves (over $12bn in central bank reserves in early July) but has been slow to normalise its foreign debt problems. Venezuela was moving to complete work on a government debt restructuring programme when the private debt issue blew up.

Cuba urges people to work harder

CUBA'S RULING Communist Party has published a grim assessment of the country's economic performance during the first half of 1986 and called on people to work harder with less expectation of material reward, Reuter reports from Havana.

The 146-member Central Committee met for three days last week to consider the economic situation. Echoing recent criticism by President Fidel Castro, it spoke of overmanning, bureaucratic attitudes in management, shoddy workmanship, lack of motivation in the work force and "growing disruption and inefficiency in the whole productive apparatus of the country."

The party body also adopted Castro's view that many such problems were caused by widespread use of material incentives to regulate Cuba's state-controlled economy in recent years.

Over the last three months, the Government has launched a campaign against speculative gains, profiteering and what it considers to be excessive earnings.

US warned about growing dependence on foreign oil

BY WILLIAM HALL IN NEW YORK

US OIL imports in June were 36 per cent higher than a year ago at 6.5m barrels a day and domestic US production is expected to drop by 10 per cent, from its 1985 level over the next twelve months. The figures come from the American Petroleum Institute (API), which yesterday warned that the US's dependence on foreign oil was growing significantly.

Mr Charles DiBona, president of the API, said yesterday that US consumption of oil, which began rising slowly two years ago, had picked up speed this year and was rising at 2 per cent a year. Meanwhile, exploration activity — measured by the number of active drilling rigs — had slumped from 2,000 at the end of last year to 663, its lowest recorded level.

"These numbers provide a already observed production compelling indication that the already observed production decline will accelerate," said Mr DiBona, who forecast that at an oil price of $15 a barrel, the current Opec surplus would be used up within three and a half years.

"Such a development would set the stage for a replay of the price explosions of the 1970s, and this would happen when the US was more dependent than ever before on imported oil," said Mr DiBona, who was presenting details of an API study reviewing the effects of this year's dramatic drop in world oil prices.

According to the study, "Two Energy Futures: National Choices Today for the 1990s," if oil prices were to stabilise at $15 a barrel between now and 1991, US oil production would fall from a 1985 level of 8.9m barrels a day to 6.2m barrels a day. About 300,000 jobs — almost 20 per cent of the total — would be lost.

As a result, US imports of oil could double from last year's level of 5m barrels a day to 10m barrels a day, where it would account for well over 50 per cent of US consumption.

The API study identifies a number of official policy measures which could significantly reduce the country's future growth in dependence on insecure foreign sources of oil.

Among the measures the API is lobbying for are greater access to government land for oil and gas exploration; repeal of the windfall profits tax; full decontrol of natural gas controls and a continuing expansion of the strategic petroleum reserve.

US retail prices up by 0.5% in June

By Nancy Dunne in Washington

THE US Commerce Department yesterday released a mixed bag of statistics for June, offering some hope that the weakening dollar is a last providing some boost to the manufacturing sector.

Orders to US factories for durable goods—items expected to last three or more years—rose 2.1 per cent in June, the first gain since January and the biggest advance since December. The rise followed a revised 1.1 per cent decline in May and a revised 0.9 per cent fall in April.

On the negative side, the Department also reported an increase in retail prices of 0.5 per cent in June, the steepest rise since last November. Prices for consumers still finished the first half 0.2 per cent lower than at the end of 1985, and by the end of last month petrol prices, which had driven the index up, had already begun to come down.

Increased capital goods orders were reported both for the volatile defence sector as well as for non-defence goods, which inched up 1 per cent after declining 3.1 per cent in May.

Mr Malcolm Baldrige, the Commerce Secretary, welcomed the gain in durable goods orders but acknowledged that "it is too soon to call this a new trend towards better growth."

However, he said, lower interest rates have boosted housebuilding and "the full benefits of declines in oil prices and the value of the dollar are still ahead."

Personal income also rose last month by 0.1 per cent after declining by 0.3 per cent in May.

Argentine pilots end strike after mediation

By Tim Coone in Buenos Aires

TWO INDUSTRIAL disputes that have seriously affected the Argentinian economy have ended. Pilots of the state airline, Aerolineas Argentinas, are to call off their strike and employees of the Foreign Trade and Industry ministry are to return to work.

The 22-day airline dispute has paralysed the company's 15 international flights a week to Europe and the US, disrupted domestic services, and inflicted losses on the company conservatively estimated at about $12m (£8m). The recently appointed Minister of Public Works and Services, Mr Pedro Trucco, mediated in the dispute over salaries, persuading the 561 pilots to end the strike.

The government has also agreed to bring Foreign Trade and Industry Ministry workers' salaries into line with those of Economy Ministry employees. This ends the 49 day strike and will ease the difficulties facing manufacturers from delays in processing paper work.

WORLD TRADE NEWS

COMMISSION PLANS 5% RISE IN THIRD WORLD SHIPMENTS

Easier access to EEC proposed

BY PAUL CHEESERIGHT IN BRUSSELS

DEVELOPING countries should be offered slightly easier access to the European Community for their manufactured goods, the European Commission in Brussels recommended yesterday.

The Commission has published its proposals for the 1987 generalised scheme of preferences (GSP) for consideration by the political leaders of the Twelve. The GSP is not subject to negotiation with other countries – rather it is a unilateral Community offer of tariff-free entry, up to certain limits, for developing country manufactured products.

But the scheme is riddled with exceptions, so that a list of so-called sensitive products is subject to quotas after shipments have reached a certain level.

In its proposals this year, the Commission is running into trouble with the Twelve, if the experience of talks last year is any guide.

It has returned to the notion of taking out countries and their products from the scheme, if a country reaches a level of competitiveness in its sales. The Commission said yesterday that this differentiation between suppliers could apply to products like petrochemicals, alarm clocks and tyres. Concessions withdrawn from competitive suppliers could be redistributed among others, it suggested.

In more general terms the Commission has sought to limit the number of products on the sensitive list, thus opening up the way to more developing country imports. But it is not proposing any immediate changes in the textile trade, because of the running negotiations on the Multi-Fibre Arrangement.

Overall, detailed changes in the existing GSP would allow, if accepted by the Twelve, an increase of some 5 per cent in the value of developing country shipments, the Commission said.

This would mean the GSP covering shipments worth around Ecu 19bn ($18.8bn) from the developing countries over 1987, on which the selling countries would realise an economy of Ecu 900m from the customs concessions.

The Community's GSP applies to developing countries with which it does not already have special agreements – that is to say, generally, those outside the Lome Convention (an accord with 66 countries), and a range of preferential agreements with Mediterranean countries. The US and Japan also have GSP arrangements.

Backing sought for UK deals with Indonesia

By Christian Tyler in London

SIX insurance policies were taken out by British companies on new investments in Indonesia in the last financial year under a scheme run by the UK Government.

The annual report of the scheme, which is run by the Export Credits Guarantee Department, suggests increasing investor interest in Indonesia; but the scheme's coverage is too small to justify firm conclusions.

In no other country was comparable interest recorded. For example, there were no new insured investments in Nigeria, by far the biggest nation in ECGD portfolio with 33 current agreements, probably due to the country's severe economic problems.

In the year to the end of March, the scheme increased its cumulative surplus from £1.9m to £2.4m ($3.6m).

Egypt gives priority to Zafarana power plant

BY TONY WALKER IN CAIRO

EGYPT is drawing up specifications for a big new power station and coal transhipment port on the Red Sea. The project will be offered for international tender, possibly by the end of the year, according to Mr Mohamed-Maher Abaza, the minister responsible for electricity.

The project at Zafarana, several hundred kilometres south-east of Cairo, is being accorded the highest priority of the four major power generation schemes, Egypt hopes to initiate in the next 10 years, the minister said.

Mr Abaza added that, under Egyptian regulations, the Government is obliged to offer the Zafarana project for tender, even though it has had detailed discussions with an Australian-led consortium which contributed the original idea for the scheme.

An Australian resource management company, in partnership with Japanese, American and West German contractors is proposing a 2,500 MW power station and transhipment port that could handle between 12m-15m tonnes of coal a year for distribution in Egypt and surrounding countries.

Australia's interest in the $2bn scheme, is to secure long-term contracts for its coal. In return, it is willing to participate in providing finance and technical assistance. Terms, details of which have not been made public, are said to be attractive to cash-starved Egypt.

Other priority conventional power generating projects mentioned by Mr Abaza are planned for Ayun Musaon on the Gulf of Suez coast, at Kuraimat, south of Cairo, and at Sidi Kreir on the Mediterranean coast, west of Alexandria.

Egypt's plans for a nuclear power plant are in abeyance pending an International Atomic Energy Agency report on the Chernobyl disaster.

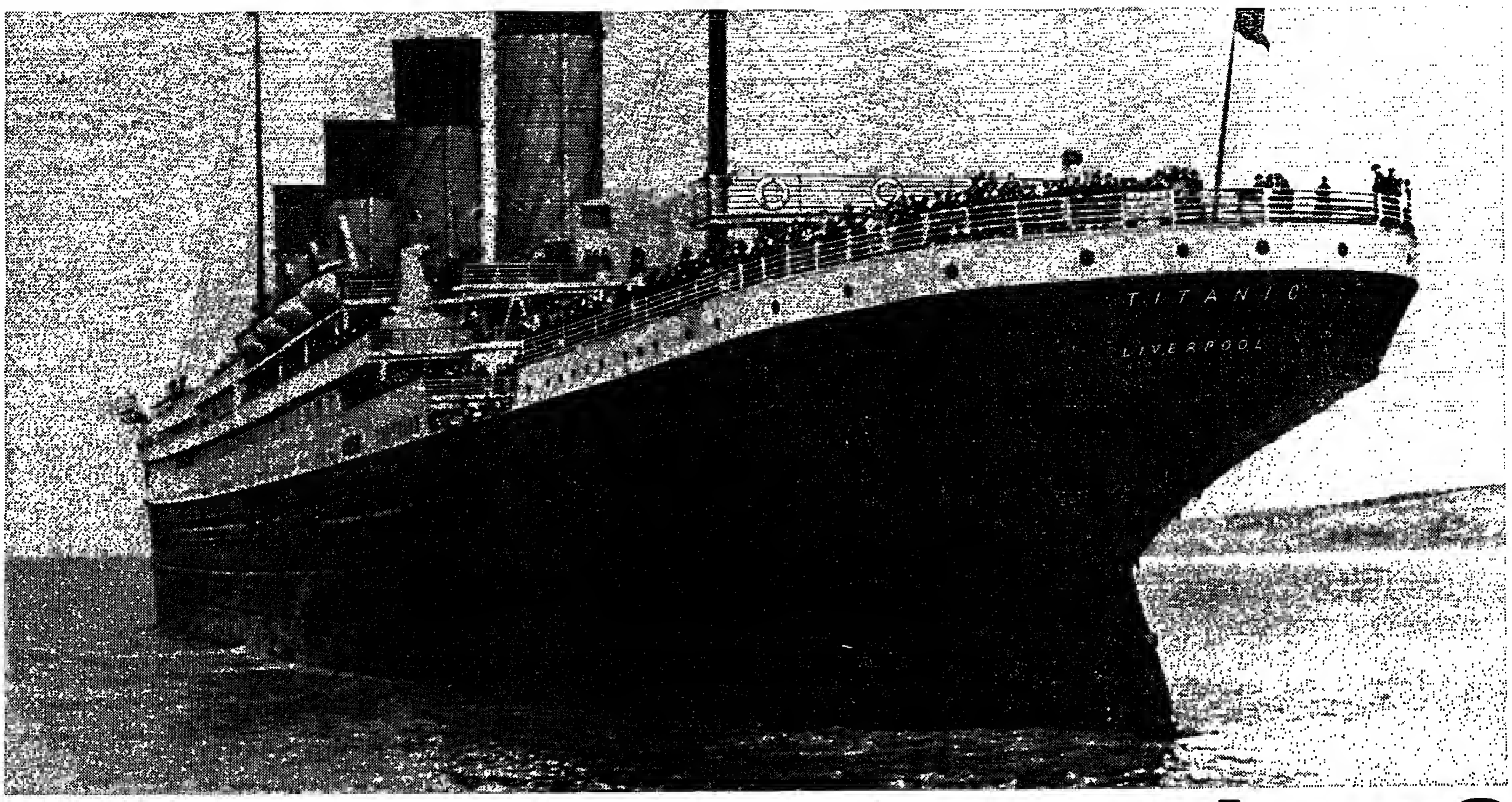
Dassault seeks partners for Rafale plan

By Paul Betts in Paris

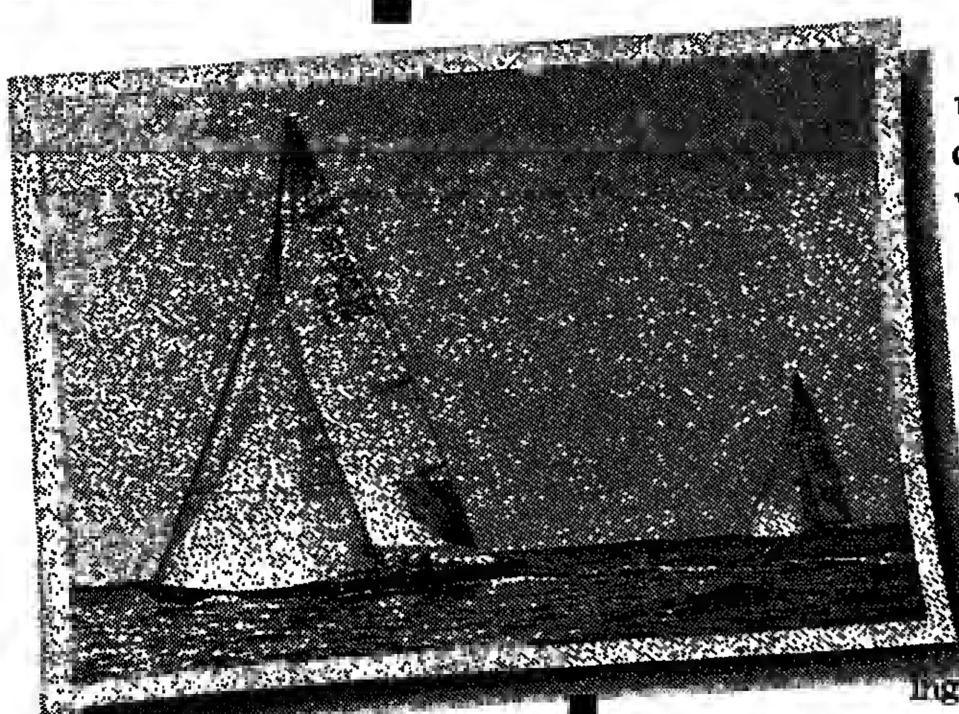
DASSAULT-BREGUET, the French aircraft manufacturer, is actively seeking European and other foreign partners to collaborate in its Rafale advanced combat fighter aircraft programme.

Mr Serge Dassault, son of the founder of the French group, said yesterday that the company remained "open to all co-operations" for the development and production of the Rafale.

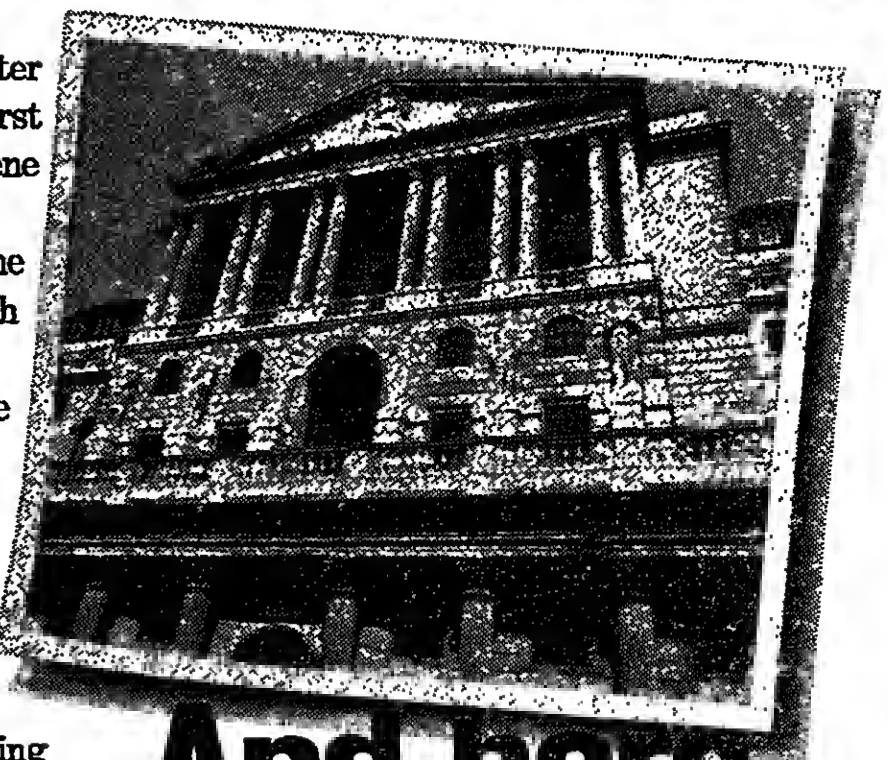
Dassault is already in advanced talks with Belgium and also in contact with the Netherlands over possible collaboration on its new fighter, company officials revealed yesterday. With the exception of the UK, West Germany and Italy which are collaborating in the rival Eurofighter project, Dassault officials yesterday suggested that a number of other countries were expected to be interested in the smaller French aircraft.



Who put the first crew here?



A crew here.



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Next, our intrepid crews journeyed back in time to uncover the unofficial manhunt organised after the war by the SAS for the SS officers who murdered their comrades. Their story is told for the first time in 'The Secret Hunters.'

Finally, we examine Princess Anne's involvement with the Save the Children Fund, and her concern for child poverty in Britain.

All five of these fine documentaries will be shown nationally over the next few months.

Which only goes to prove our point that Television South is most definitely a name to watch out for.

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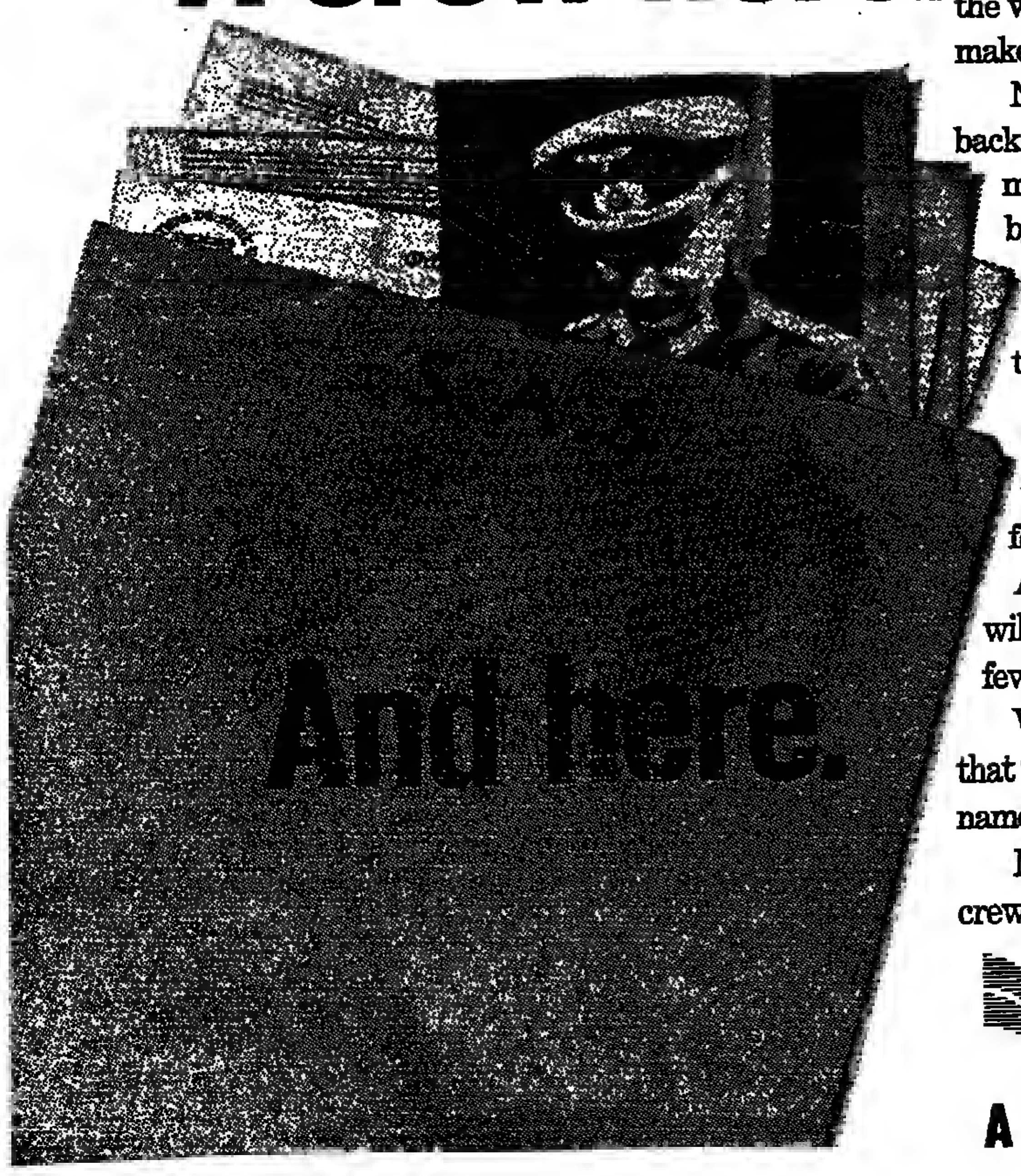
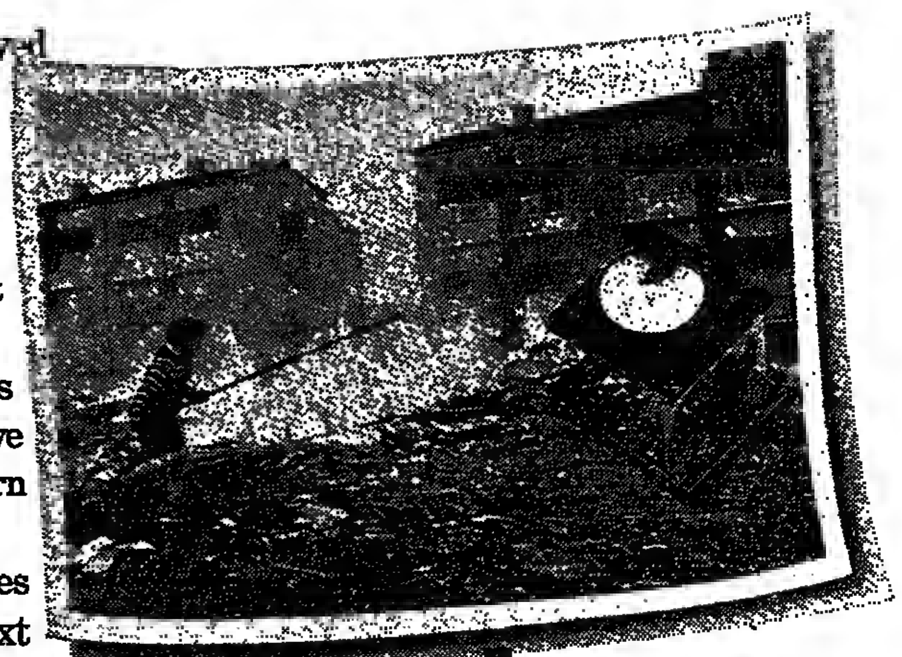




Even here.

TVS
A name to watch out for.

UK NEWS

'No firm evidence' in leukaemia inquiry

By David Fishlock

RADIATION CANNOT be excluded as a cause of the "cluster" of leukaemias in children living in Seascale, close to the biggest factory of British Nuclear Fuels at Sellafield, in north-west England, but there is no firm evidence, the Government's medical advisers say.

Four possible explanations for the Seascale cluster are advanced by the Committee on Medical Aspects of Radiation in the Environment (Comare), in its first report.

They are: chance, environmental radiation, high sensitivity to leukaemia in Seascale residents and a still-undetected agent such as a chemical or virus.

It is quite likely that the cluster was caused by some combination of two or more of the four factors, its report says. It admits, however, that it has no evidence for the idea of a high sensitivity in the Seascale population and thinks this factor unlikely.

Comare was appointed by Sir Donald Acheson, chief medical officer to the Department of Health, to follow up the initial report of Sir Douglas Black on the Seascale cluster last year.

It has investigated new data, which has come to light since the Black report, of substantial releases of radiation from Sellafield in the early 1950s. They include the release of 20 kilograms of uranium oxide into the atmosphere starting in 1954-55, when the factory belonged to the Ministry of Supply. Comare is critical of the way this data came to light.

It concludes that monitoring of radiation and record-keeping in the 1950s raises questions whether all radiation releases have yet been taken into account. But the extra radiation does not alter the estimates of the Black report, for the total still lies far below the amount of radiation people receive from natural background sources and from nuclear weapon testing.

Because of the possibility that large releases of radiation were not reported, Comare says it is not possible "to exclude environmental radiation or indeed any other factor, as a contributory cause of the cases of leukaemia observed at Seascale, although we stress that there is no firm evidence for the existence of any causal relationship between environmental radiation and these leukaemias."

Thatcher leads drive to regenerate inner cities

BY PETER RIDDELL, POLITICAL EDITOR

BETWEEN SIX and 10 urban development corporations may eventually be set up to help regenerate derelict inner city areas after agreement in principle by a Cabinet committee chaired by Mrs Margaret Thatcher, the Prime Minister.

The Government-appointed and funded corporations will assume responsibility for sizable rundown areas of big cities and towns and take control away from local authorities. Their aim will be to use public money in a pump-priming way to attract private-sector investment, as has occurred on a substantial scale with the existing urban development corporation in London docklands and, to a lesser extent, with the other one on Merseyside.

No decisions have yet been taken on the identity of the sites or about how much money will be available for the corporation. The two existing ones cost £90m a year in direct grants from the Treasury and the Department of the Environment is pressing for an initial commitment of more than £100m leading, it hopes, to private-sector investment of a much larger amount.

The Treasury is still resisting a blanker commitment and is arguing that each new corporation should be judged on its merits. Its view is that the experience so far is not a good guide since the London docklands one was almost bound to be a success in view of its proximity to the City of London while the one of Merseyside was bound to be held back by the problems of Liverpool.

Nevertheless, after a lengthy discussion earlier this week, the committee decided to back the idea in principle. Likely sites are Trafford Park, Manchester, the Teesside docks and two places in the West Midlands.

The initiative has been urged by Mr John Patten, the Minister for Housing, Urban Affairs and Construction, and has been eagerly taken up by Mr Nicholas Ridley after he took over as Environment Secretary from Mr Kenneth Baker.

Mrs Thatcher has become a supporter, along with Lord Young, the Employment Secretary, on the ground that the corporations offer a way of taking quick decisions and attracting private-sector capital without the inhibiting influence of generally Labour-controlled local authorities.

Ironically, these corporations were first introduced on the initiative of Mr Michael Heseltine, the former Defence Secretary, who has also recently been prominent in urging their extension in several British cities.

The opposition of some local authorities to what they consider undemocratic interference may affect the speed of implementation. The Department of the Environment might want to focus on sparsely populated derelict areas without strong local pressure groups and may, as a first stage, appeal to local authorities to suggest areas where such corporations might be established.

The new corporations do not require legislation and, can be set up, as were the ones in Merseyside and London docklands, under a law passed in 1980.

Prince Andrew and his bride, Sarah Ferguson, on their way to Buckingham Palace yesterday in the 1902 State Landau after their wedding in Westminster Abbey, London. The prince, fourth in line for the British throne, was created Duke of York on the morning of the wedding and Miss Ferguson became his duchess. Television viewers around the world had a unique view of the couple during the wedding, through the eye of a small robot-controlled camera behind the high altar.

GEC to join radar work on Eurofighter

GEC AVIONICS, part of the GEC group of Britain, and Hughes Aircraft Company of the US, are joining forces with AEG of West Germany to develop the advanced performance radar for the forthcoming Eurofighter (formerly the EFA), **Michael Donne writes.**

The Eurofighter is nearing the end of its project definition phase in the Aerospace industries of the UK, West Germany, Italy and Spain, and a formal approval for full-scale development is expected before the end of this year.

Eventually, it is expected that more than 800 Eurofighters will be built, worth an estimated £20bn or more for research, design, development, production and initial in-service support.

The Eurofighter is intended for both high-level air-superiority over the battlefield and low-level support for ground forces. It will be the most advanced combat aircraft developed in Western Europe. It will also carry the technology in the previous biggest programme, the multinational Tornado, further forward.

The radar now planned will be a development of the Hughes APG-65 radar at present in service on US F/A-18 fighters. Work will be shared between GEC Avionics, Hughes and AEG, and radar companies in Italy and Spain.

Mr Derek Jackson, chief executive of GEC Avionics' Airborne Radar Systems Division at Borehamwood, north of London, said: "The combination of proven hardware and software plus advanced technologies and production capabilities which this radar team offers will result in a cost effective, operationally superior radar solution for the Eurofighter."

□ LONDON stockbroking firm James Capel is to merge its operations with the UK investment banking subsidiary of its parent company, the Hongkong and Shanghai Banking Corporation. A new company, James Capel Holdings, will own the James Capel stockbroking, money broking and gilt-edged market-making firms and Hongkong Bank, which is to change its name to James Capel Bankers.

□ LAWYERS representing victims of last August's Manchester Airport disaster and their families have signed a compensation deal which could be worth £10m, one of the largest pay-outs of its kind. Fifty-five people died when a Boeing 737 caught fire on the runway and 124 people made claims against British Airways, Boeing and engine manufacturer Pratt and Whitney.

□ POLICE reinforcements were called to the News International plant at Wapping, east London, to patrol a mass demonstration timed to coincide with the wedding of Prince Andrew and Miss Sarah Ferguson. About 12,000 demonstrators marched from Tower Hill to the plant in support of dismissed print workers.

□ DOG licences are to be abolished, Environment Secretary Mr Nicholas Ridley announced. The licence in England and Wales has remained fixed at 37p for more than a century and the £3.5m cost of collecting the fees far exceeds the sum raised in revenue.

□ COOPERS Animal Health, the veterinary drug company jointly owned by ICI and Wellcome, is to reduce its UK workforce by about 12 per cent. About 70 jobs will go, mainly in the research and development department.

□ CRANE MAKER Davy Morris, part of Davy Corporation, is based in Loughborough, not Lincoln, as stated in the survey on East Anglia published in the Financial Times on Monday, July 21. We have also been asked to point out that the firm which "head-hunted" Sir Ian MacGregor for the chairmanship of British Steel in 1980 was Russell Reynolds Associates, and not Norman Broadbent International, as reported on July 19.

TUC backs idea of legal minimum wage

BY DAVID BRINDLE

A JOINT Trades Union Congress (TUC)-Labour Party document yesterday committed the labour movement for the first time to establishing a national minimum wage with statutory backing.

It recognises, however, that the effectiveness of the strategy in helping the low-paid would be dependent on other workers not pressing for comparable or higher percentage pay increases unless justified on grounds of productivity.

In a clear warning of the danger of unleashing inflationary wage pressures, the statement says: "Unions will be expected to undertake not to quote in claims for higher-paid workers that element of general percentage increases in earnings specifically related to the general move to attain the national minimum wage."

The policy envisages a Labour Government moving quickly to legislate on a national minimum. The precise level is not set out in the document.

In a consultation exercise mounted by the TUC, most unions have favoured a weekly minimum of £80 – equivalent to about half average male earnings – which would apply to an estimated 3m workers.

The document emphasises two issues which have caused unease among unions opposed to the idea of a statutory minimum: the role of collective bargaining and the enforcement of minimum rates.

On the first, it emphasises that collective bargaining would continue to have a primary role in pay determination. It says the strategy would depend on bargaining power and no improved organisation by unions among small companies and low-pay areas.

On the second, it proposes an expanded wages inspectorate, unilateral recourse to the central arbitration committee over claims of non-observance of the minimum and, generally, "a high degree of union control" and minimal recourse to the courts.

'Chinese walls' survive Big Bang doubts

By Ivor Owen

FAITH in the efficacy of the so-called "Chinese walls," which organisations in the City of London handling both the management and investment of clients' funds are erecting to prevent conflicts of interest, was declared last night by peers in the House of Lords.

The House rejected by a majority of 36 (116-80) a Labour amendment to the Financial Services Bill designed to establish the principle that merchant banks and similar bodies should be obliged to accord priority to the interests of those with whose money they have been entrusted.

Speaking from the non-party cross benches, Lord Tyron, who is chairman of an investment management company, gave a warning that if the amendment were carried, the "Big Bang" due to take place in October would be made to look "a very small squib indeed."

Lord Williams of Elvel, who moved the amendment from the Opposition front bench, said the fundamental principle it was designed to assert was that the duties of those who set themselves up to manage other people's money were towards the people whose money they managed and not to anybody else.

Emphasising the inevitable conflict of interest which arose when those responsible for managing clients' funds were part of the same organisation dealing in investment, he maintained that the whole concept of Chinese walls required serious examination.

Without impugning the honesty and honour of those working in the City of London, he said it had to be recognised that a number of people did not believe that Chinese walls would work in reality.

Lord Lucas of Chilworth, Under Secretary for Trade and Industry, assured the House that Clause 45 of the Bill, which empowers the Secretary of State to make rules regulating the conduct of investment business, would introduce the appropriate regulatory provision to prevent conflicts of interest.

The rules would require that information obtained from an authorised person in the course of one part of investment business to be withheld from persons in other parts of the business. Breach of the rule would result in disciplinary action.

Observer reviews print plans

By Our Labour Staff

THE OBSERVER newspaper is considering contracting out its printing requirements which would mean substantial redundancies among its print workers.

The Observer is the only Fleet Street newspaper not to have carried out or announced substantial changes to its printing and staffing arrangements this year.

In the past, The Observer, a Sunday newspaper, had hoped to persuade other newspapers to contract out some of their printing requirements to its under-utilised central London printing plant.

However, that possibility has now disappeared because of the new printing arrangements made by most Fleet Street papers. The Observer board this week gave authority for a number of options to be investigated.

A strong possibility is that the board will decide to contract out its printing requirements, with the loss of many printers' jobs.

It has not yet been decided whether to keep the journalists at The Observer's present central London site, but the paper's management is looking at other sites, including one in Battersea, south London.

Final decisions are expected soon. Chapels (office branches) of the print unions NGA and Sogat at The Observer will meet on Saturday to consider the position.

Bedford pulls out of electric van project

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BRITAIN'S high-powered electric vehicle development programme has been dealt a severe blow by Bedford, the General Motors subsidiary, which has decided to stop producing the CF electric van.

Bedford so far has been the most enthusiastic supporter of the electric vehicles project and since 1984 has made 300 – half the total produced since the UK programme started five years ago.

However, the company said yesterday that although it believed the electric van concept had a good future, "with reluctance" it would give up making the CF electric van as a cost-cutting measure.

Bedford last month reported a £73m net loss for 1985 after a loss of £82.4m the previous year and called for another 1,700 voluntary redundancies – 23 per cent of its remaining workforce.

The company's decision will have a profound effect on Lucas-Chloride EV Systems (LCVS), the joint venture between Lucas and Chloride which, backed with about £5m of UK Government money, has developed the drive system which powers the CF van and other UK electric vehicles.

LCVS said yesterday it was greatly disappointed by Bedford's decision, but "it does not change our commitment to high-performance electric vehicles. It gives us more resolve to explore other opportunities."

Other UK-based manufacturers to use the LCVS power system on a limited basis include Freight Rover, the Rover Group's Sherpa van subsidiary; Renault Truck Industries in Dodge 50 vans; and Leyland Trucks in the Roadrunner light truck.

Their efforts were completely overshadowed by Bedford's previous commitment, however. Bedford had intended in October this year to put the electric CF into regular production at its Luton, Bedfordshire, van plant at a rate of 500 a year.

Evaluation of the electric CF's potential was not confined to the UK – where the Duke of Edinburgh is one notable customer and uses a luxury version in London. Trials are going on worldwide, including some by Chubu Denrokyu, a major electricity supplier in Japan.

Nearly 40 CFs, rebadged as GM Griffons, are undergoing trials with public utilities in the US under a programme being co-ordinated by the US Electric Vehicle Development Corporation.

The electric CFs accelerate as well as petrol or diesel vans and have a top speed of 30mph. But their range is only 50 to 80 miles between charges, using the latest lead acid traction battery. There has been some scepticism about the electric van's ability to compete because its true price of about £14,000 is nearly triple that for a conventional van, with the battery pack and charger accounting for about half the cost.

The price situation could be transformed, however, if trials to take place early next year with a new "super-battery," developed by Chloride and which uses sodium and sulphur, are successful.

OBITUARY

Jim McDonald: former specialist writer on shipping industry

JAMES McDONALD, shipping correspondent of the Financial Times in the 1950s and 1960s and one of the longest-serving journalists on the paper, died on Tuesday. He was 58.

Jim McDonald joined the staff in 1944 and was for many years part of a small team of reporters in the news room which provided the bulk of the paper's coverage of industrial news. While he specialised in shipping and shipbuilding, where he established a considerable reputation as an acute and thoroughly reliable observer of the industry, he also covered a wide range of other financial and commercial stories.

Mr Geoffrey Owen, editor of the FT, said yesterday: "As one of the first industrial specialists on tha FT Jim McDonald made a valuable contribution to the paper's expanding industrial coverage. He will be greatly missed."

He first started to specialise in shipping in the 1950s, an era when most international celebrities still crossed the Atlantic by sea. His career spanned the post-war years of British shipping and shipbuilding supremacy through the traumas of change and decline. He brought to the job a thoroughness and objectivity which were in the best traditions of the FT.

Mr Norman Douglas, former manager of information services at the General Council of British Shipping, said: "Jim McDonald was one of the most popular and respected shipping correspondents of his generation. Part of the reason was surely that he genuinely liked the shipping and shipbuilding industries and the people in them and they in turn liked and admired him. His reassuring manner and persevering pursuit of the facts encouraged in others a willingness to help and to confide."

Throughout his career on the FT he was always ready to help and advise younger reporters, many of whom are deeply indebted to him. In his later years, despite poor health, he was unfailingly kind and good-humoured, and ready to turn his hand to any stories that were assigned to him. He will be greatly missed by his colleagues.

Further setback for Volvo importer

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

VOLVO CONCESSIONAIRES, the Lex Service subsidiary that imports Volvo cars to the UK, suffered its second successive annual setback in pre-tax profit last year and once again blames the extremely competitive market conditions.

The 1985 accounts, just filed, show that while turnover rose 11.4 per cent from £322.054m in 1984 to £358.899m, Concessionaires' taxable profit slipped by 2 per cent from £23.5m to £23.06m. This follows the 15 percent drop from £27.75m between 1984 und 1985.

One indication of the severity of conditions that Concessionaires faced in the UK new-car market is that the cost of sales, which includes marketing expenditure, last year jumped by nearly f3 per cent from £283.3m to £319.8m.

Mr Peter Turnbull, joint chairman and chief executive, whose earnings rose by 11 per cent from £71,000 in 1984 to £79,000 last year, said yesterday that although Concessionaires would not be drawn into the overt discount and price war being waged in the UK, it would always make sure that Volvo car dealers were in the position to compete effectively.

Concessionaires cut the dividend paid to its parent from £13m for 1984 to £4m last year. Mr Turnbull said this had nothing to do with Concessionaires' financial position. The dividend payment was simply a way for the Lex Service holding company to obtain cash.

Lex Service reported pre-tax profits about halved in 1985 to £23.8m on a £1.04bn turnover compared with £46.8m on sales of £1.19bn in 1984. Last year's setback was caused by losses on electronic component distribution.

Concessionaires paid less tax last year – £9.7m against £11.4m – so its net profit increased by 1.67 per cent, from £13.1m to £13.3m.

Last year Concessionaires, one of the major car importers in the UK, sold 59,549 Volvo cars from Sweden and the Netherlands for a 3.25 per cent market share, compared with 59,072 cars and a 3.38 per cent share in 1984. The dealer network remained stable at 281.

Mr Turnbull said the franchise now had the strongest model range in its history. In a total market expected to remain at about 1.8m, Concessionaires' car sales are forecast to rise to a record 61,500 this year and its market share to 3.42 per cent.

Richard Evans counts the cost of Edinburgh's sporting turmoil

Games stagger towards the starting line

A SPECTACULAR "routine" ending with the Scottish flag of St. Andrew formed from the capes of hundreds of schoolchildren will launch the 13th Commonwealth Games in Edinburgh today.

It will be a colourful display beneath the creggy splendour of Arthur's Seat involving 6,500 children, kilted bands, parachutists and decorated floats representing the competing nations.

Tha Duke of Edinburgh will read a message from the Queen and Mr Robert Maxwell, publisher of Mirror Group Newspapers, and joint organiser of the Games, will wave and smile with relief. The Games will be on, although it has been a close run thing.

The organisers are still punch-drunk from the series of blows that hava reduced the competing nations to 27, with 31 having joined the boycott in protest at Britain's failure to support sanctions against South Africa.

It came as light relief yesterday when members of the local Womens Royal Voluntary Service, who provide an emergency mending and sewing service for competitors, threatened to walk out unless they were provided with a television set to watch the royal wedding. The organisers capitulated. Enough was enough.

There is a determination to put on a brave face and to assume that once the competitions start the political battering will ha forgotten.

Any good news has been grasped and overplayed. The decision of the Lesotho contingent to come to Edinburgh after previously withdrawing through lack of cash was greeted with rapture.

The routine raising of flags in the Games village became a moving ceremony of gratitude as contingents registered from the Falkland Islands, Bermuda, Fiji, Gibraltar and Western Samoa.

There is no doubt, however, that the whole character of the Games has been changed by the boycott. Its value as a sporting spectacle has been reduced. The absence of nations like Kenya and Jamaica in athletics and Ghana and Nigeria in boxing have inevitably devalued the medals currency.

The boycott has also led to immense practical problems for the organisers. There are now too few competitors in some events, particularly boxing, wrestling and weight-lifting.

On the track it will not be easy to avoid awkward gaps because fewer heats will be needed. This is particularly relevant to the BBC, which plans to continue its saturation coverage of over 100 hours television to the UK, Australia, New Zealand and Canada.

What strikes the visitor to Edinburgh is the apparent lack of interest away from the Games village, Meadowbank Stadium and other games venues. Tha city simply does not seem to care.

It had been a fraught task for the hapless organisers to raise sufficient cash even before the boycott was mounted. The local evening paper recently conducted a survey of all 82 prosperous stores on Princes Street. Only two have come up with any sponsorship money.

One explanation is that Edinburgh simply did not want the competition so soon after the highly successful 1970 Commonwealth Games. A bid was put in mainly to place a marker for the future, but it was the only bid, the Games were Edinburgh's.

There was subsequently a change of control on Edinburgh City Council. The previous Tory administration had pledged backing of £8m but the current Labour majority preferred to spend money in other ways.

Municipal support has been limited to a £4m improvement scheme for Meadowbank and other Games venues, and no money has come from the Government. These are the first commercial Commonwealth Games.

When Mr Maxwell stepped in last month the Games were heading for the ignominy of bankruptcy. There was a potential deficit of over £4m and it is by no means certain that this gap will be bridged.

Mr Maxwell has raised extra cash by a combination of persuasion, cajoling and bullying, but he has been obliged to threaten to bill the absent nations for £2m, the estimated cost of the boycott.

New sponsors have been hard to find and even more damaging, some already committed sponsors have been having doubts.

One leading sponsor commented yesterday: "The whole point was to back something nice and warm – the friendly games. Frankly, it has turned into something of a nightmare. I am very unhappy about it all." He admits, though, that it is far too late to pull out.

More positively, the Games should benefit the Scottish economy by around £40m – probably 10 per cent down because of the effect on attendances of the boycott. Nearly 90 per cent of the tickets already available for athletics and swimming have been sold.

The purpose of the Commonwealth Games is to create a relaxed and friendly atmosphere in which good athletic performances can be achieved without the intense nationalism of the Olympics.

But the sight of Edinburgh staggering rather then sprinting to the starting line gives cause for concern about the future of the Games.

هكذا من الأصل

Peter Marsh on how small bakeries are making the most of cheap computers to compete against the giants of the industry

Key to greater efficiency and a good night's sleep

SMALL *bakeries are fighting* the advances of the giant breadmaking concerns which dominate the industry by turning to computers to increase flexibility, cut paperwork and reduce costs.

With the machines, these small businesses find they can satisfy a wider range of customers, keep better control over ingredients ranging from chemical additives to baking powder and, perhaps most importantly, gain more sleep.

Bakers have to work a very long day, typically receiving orders in the afternoon, producing bread at night and delivering the next morning before the process atarts again. The cheap computer has reduced the masses of paperwork generated by this rapid production cycle, dealing with which can often keep bakers up to the small hours.

The rise of computers in the dough trade is particularly marked in Britain and the US. In both countriea, a few large companies (such as Allied Bakerles and British Bakeries in the UK and Continental Baking in the US) account for the lion'a share of the market for bread, rolls and cakes, leaving several thonsand small concerns to battle it out for the crumba.

The trend towards electronics is less established in countries such as France, which rely for bread on a much larger number of *tiny bakeries*, often no more than the back rooms of shops.

In France, about 90 per cent of bread is produced by such bakeries. As a result of reduced competition from the big companies, these concerns have not generally seen the need for computers (and anyway they may be unable to afford them).

In Britain, a few big companies account for some 70 per cent of the annual market for bread and rolls, estimated at about £1.6bn. Roughly 5,000 *small enterprises, most* of them with annual sales of less than £1m, make up the rest of the industry.

While the big corporations can gain economies of scale by turning out their products in giant plants, the smaller bakeries often struggle to keep down costs—which explains the demise of many such businessea in the past few decades.

Helping the little companies are, however, the moves in recent years by consumers away from mass-produced loaves and *more diverse products* that are baked in short production runs.

In both the US and Britain amall bakeries have bought cheap personal computers which they use to match orders from customers with the ingredients needed to turn out specific types of baked items.

Computers are also becoming necessary to store details about the weights of the ingredients in bread and cakes, *information* that is increasingly required under government regulations.

Mr Gary Skrdlant, controller of the Kansas-based American Institute of Baking, says that small companies in the US industry may be ahead of the larger ones in applications of computers. He says that "probably about 50 per cent" of the several thousand small bakers in the US use computers to plan production.

Mr Graham Redfern, who runs a 21-employee family bakery in Tamworth, England, turned to electronics two years ago, spending £5,000 on a computer made by Apricot, a UK company. Since then, with little change in staff, he has doubled annual sales to £500,000, increasing the number of retail and wholesale outlets (ahops, public houses and ao on) from three to about 100.

According to Mr Redfern, who ia 68 and saya he knew nothing about computers until three years ago, the Apricot machine has changed his business dramatically. "It's simplified office work and enabled me to increase customers in a way I could not have envisaged."

When he receives bis orders, Mr Redfern keys in the information to the computer, which automatically prints out invoicea and works out the amount of ingredients needed for a particular batch of products. The computer can also store recipes and keep employee records.

Dugdale and Adams, in London, is another small bakery which uses a computer. Mr Jeremy Ward, an accountant at the company, says that with the machine, another Apricot, he can monitor on a daily basia the stock of ingredients to ensure the *company* is *not* overstretched financially. Without the machine, to do thia would have meant hours of effort ptoughing through written accounts.

In Britain, says Mr Brian Flint, director of the National Association of Master Bakers, people in the baking trade have taken to computers as part of the trend in which the industry haa become "less based on artisan principles" and more on sound business practices. Serious use of compnters among small bakers started no more than about two years ago, says Mr Flint, and haa spread rapidly.

Behind the advent of electronics in this part of the food industry are the unusual work practicea of bakers. Besidea coping with long hours and short production cycles, people in this trade have to be highly flexible. They have to be capable of switching easily between an order for, say, a 100 jam rolls to a sudden request for several thousand savoury croissants.

Keeping track of ingredients and invoicea can also be a nightmare. Conventionally, bakers keep control of stocks and orders by writing out information on scraps of paper, which for all but the tiniest companies can be a recipe for confusion and a drain on finances.

In Britain, supplying computerised planning systems to bakeriea has been lucrative for two companies which account for most of the sales in this market, thought to be worth about £2m a year. BNW of Holywell, Clwyd, has sold about 400 bakery ordering systems in the past three years, most of them to small concerns. BNW, which producea software that will run on compulera made by Research Machines and Apricot, has annual sales of about £800,000.

The second major aupplier is Bakery Computer Servicea of Shepton Beauchamt, Someraet, which was started aix years ago by Mr Ian Hawkins, a baker who started programming computers as a hobby. A third company, Aquariua of Canterbury, alao apecialises in computer software for bakeries.

A giant step for bricklayers

BY PETER MARSH

LUNAR BRICKS could aid the exploitation of the solar system after the turn of the century, say US engineers.

In experiments with lunar soil returned from the Apollo Moon landings some 15 years ago, the Construction Technology Laboratory in Skokie, Illinois, found it could make a concrete product of strength greater than that produced with terrestrial materials.

As a result of this finding, planetary scientists think that lunar bricks could become useful items in erecting buildings on the Moon and possibly other bodies in the solar system — although it is highly unlikely that shipping the lunar bricks back to the Earth for terrestrial construction projects would ever be economically worthwhile.

The lunar material was made available to the concrete laboratory—a non-profit facility sponsored by the Portland Cement Association—by the US National Aeronautics and Space Administration, which stores about 850 pounds of Moon soil returned by six manned lunar missions.

The strength of the lunar concrete was put at 10,800 pounds/square inch, 5 per cent stronger than equivalent concrete made on Earth. According to Dr Wendell Mendell, a planetary scientist with Nasa, the results indicate that some day engineers may be able to construct buildings on the Moon using lunar materials, a less expensive option than obtaining the materials from Earth.

Hitting the heights on a cloudy day in Finland

BY ELAINE WILLIAMS

TO AID weather forecasting Vaisala, a leading Finnish measuring instrument company, has developed a laser device for ganging the height of clouds. Till now such measurement has been done by systems developed in the 1960s.

The Finnish design, which has been adopted by the US National Weather Service, estimates cloud height by measuring the round-trip time of a series of short laser pulses to the cloud base and back. The time taken between the transmission of the laser pulse and the reception of the returned signal, as it bounces off the water droplets in the cloud, gives the cloud'a height.

The device, called a ceilometer, measures cloud bases up to 12,000 feet.

Driving force behind British research into expert systems

THERE ARE those who see the controversial 1973 report of Sir James Lighthill on funds for artificial intelligence as the turning point from which has evolved a healthy research base today, with Britain well placed in this new science, where computers can be made to think, reason and make human-like judgments. Others, however, believe the Lighthill report put the brakes on progress at a critical time, to the lasting loss of Britain in particular.

Among this group is Auslin Tait, an intense young Yorkshireman who was a research student at Edinburgh University in the early-1970a, when the dons were demanding a big boost in research grants for artificial intelligence (AI) otherwise known as expert systems technology. Tait is a man with a mission to bring AI to the market in Britain as swiftly as the science allows.

He is director of a novel experiment in technology transfer called the Artificial Intelligence Applications Institute (AIAI), the new laboratories of which in Edinburgh were officially opened last month. The institute, co-located with what Tait claims to be the world's second-biggest university department of AI—after MIT in Boston, Massachusetts—is charged with feeding industry with the latest ideas on AI and related information technology, not merely from Edinburgh but from the whole UK academic scene.

That mission carries the blessing of Edinburgh University itself, where the department of artificial intelligence headed by Prof Jim Howe has nearly 150 researchers. Prof Howe is the institute's chairman, and reports directly to the university court.

Still more significantly, perhaps, the institute has Whitehall's blessing to act on behalf of academe in managing the transfer of front-line information technology into commerce and industry.

For example, the Department of Industry, the Science and Engineering Research Council and, in particular, the Alvey Directorate, which backs research and development in critical industrial technologies, are all supporting KRSTL (pronounced "crystal"), the knowledge representation systems trials laboratory, a £1.5m investment in some of the most advanced AI tools.

Here, would-be users learn what such tools as ART (Ferranti) and KEE (Intellicorp/Sperry) can offer management, especially in planning. Typically, a prospective user will take three months at the Institute learning how to live with AI, Dr Tait says.

As a vehicle for technology transfer, AIAI draws on several sources of inspiration. One is a former Wolfson Institute at Edinburgh, now a private venture in microelectronics. Another is the Stanford Research Institute in California, also a pioneer in AI.

A third source is the affiliate programmes of Carnegie Mellon University in Pittsburgh, where other organisations are encouraged to enter into an enduring relationship. The institute has

OUT OF THE BACKROOM

by David Fishlock

several affiliates, each engaged in a long-term investigation of the possibilitiea of AI, in areas that extend from oil drilling to defence. They include British Telecom, the Admiralty Research Establishment, and several small high-technology companies.

Dr Tait sees AIAI's task as "looking just over the horizon for our clients." It already has an income of about £650,000.

As he sees the subject, it has taken two decades of research to arrive at the first prototypes of AI systems such as ART and KEE. Over the next five to ten years these prototypes will begin to find applications in *three* broad areas.

One will be what he calls "pathological tasks"—those with which society finds genuine difficulty. Such tasks are already having the beneficial effect of drawing AI from laboratory into the real world, as the kind of knowledge-based demonstrations funded by the Alvey programme.

Another is the "expert system shell"; tools mostly suited to diagnosis and classification but in one or two cases also applicable to planning. In a presentation at the Sperry International Management Centre near Nice last week Tait asserted that AI is emerging from earlier concepts of a rigid shell to find many new applications in planning. He himself, as its most expensive consultant, still finds time for his own research.

The third area of application he foresees for AI is as one part of an enlarged repertoire of tools for the computer system designer. This one is being driven by the fact that the innovative computer makers have now identified realistic applications, and by the national and international fifth-generation computer programmes such as Alvey. He counsels care in choosing targets, however, lest a catastrophic commercial failure should rebound to the disadvantage of the whole of AI.

Around the end of the year Edinburgh expects to take delivery fo a prototype fifth-generation computer called Alice, developed at Imperial College, London, under the Flagship project of the Alvey programme. The first Alice is being commissioned at Imperial College, and another will remain with the maker, ICL.

Edinhurgh's Alice is destined for AIAI, for its new national parallel architectures laboratory. Here Tait and hia colleagues will initiate industrialista and bankers, as well as academics, into the possibilities of the supercomputer, as the vehicle for forays into AI, both to test new software and to train users.

"AI represents human knowledge in a formal framework so that it can go into the computer," explains David Thomas, enthusiastic patron both of Alice and AIAI, as the director responsible for Alvey's knowledge-based systems. Alice is a graph reduction computer based on the transputer, a new microprocessor invented by Inmos (now part of Thorn-EMI). Flagship, in which Imperial College and Manchester University are collaborating with ICL and Plessey, is a £15.5m Alvey project —its biggest—to harness the power of ten-20 supercomputers like Alice.

As Austin Tait, keenly aware of the need to keep ahead of the commercial software companies, sees it, Alice is a crucial investment in the continuity of AIAI and effective technology transfer. "No one will come to us in ten years' time unless we're ahead in the technology."

MANAGEMENT: Marketing and Advertising

Telecommunications

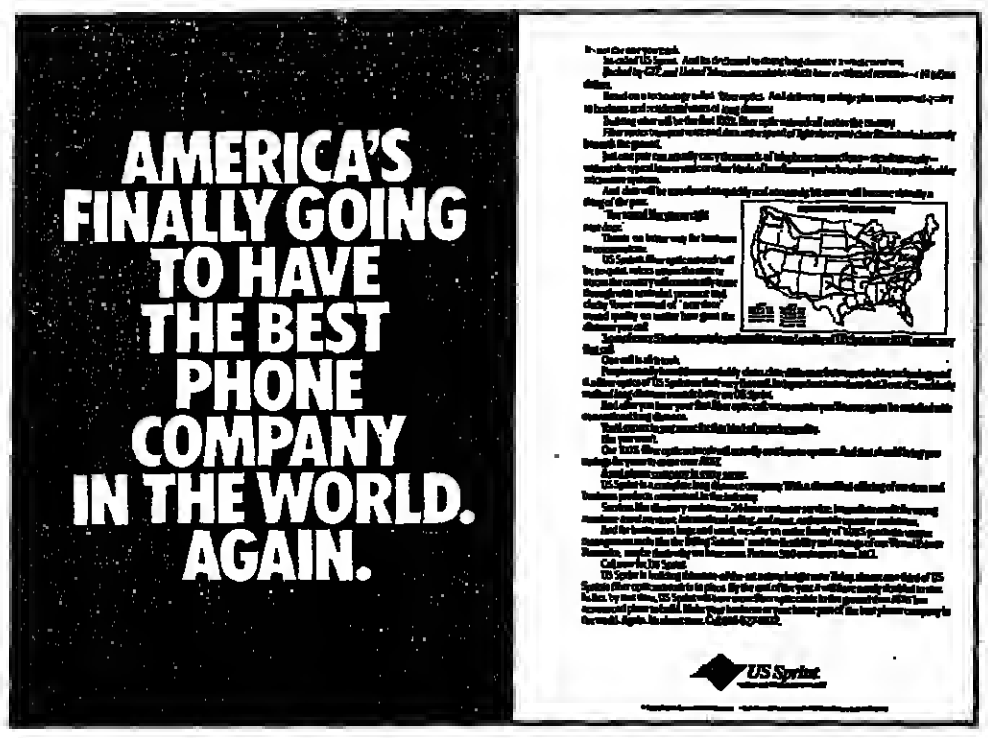
Quality that hears a pin drop

Paul Taylor explains why US Sprint, America's latest telephone company, in not selling just on price

US SPRINT Communications, the fledgling US long distance telephone carrier born out of the July 1 merger of GTE and United Telecommunications' long distance units, bas set itself an awesome marketing challenge.

The new joint venture company inherits a 3.6m-strong customer base and 4 per cent of total market revenues from its parents, ranking it a distant third behind industry giant American Telepbone & Telegrapb (AT & T) and the now firmly established upstart MCI Communications in the fiercely competitive US long-distance telephone business.

US Sprint wants not only to unseat feisty MCI from its number two slot with around an 8 per cent market share, but also to go bead on on quality with AT & T. It will be armed with what it boasts will be the biggest fibre-optic network in the US, stretching 23,000 miles and costing $2.7bn by the end of next year.



The challenge facing US Sprint is made all the more daunting by the radical restructuring of the industry which is already in full swing. By September 1 most of the 86m individual telephone subscribers in the US will have been balloted and asked to pick the long-distance carrier of their choice.

US Sprint is entering e marketing and advertising war—believed to have consumed about $500m in advertising dollars last year including about $400m spent by A T & T alone—near the end of the first, and some argue, deciding battle. Over the past 18 months telephone customers have been blitzed with direct mail campaigns, TV, radio, print ads and lavish promotions staged by tha big three contenders. The scale of the campaign ranks along with the cola, beer and beefburger "wars" of recent years.

US Sprint is also leaning heavily on the "comparison" ad concept popularised by the packaged goods industry, particularly detergent manufacturers. For example some of the print ads show the oscilloscope "noise" patterns generated by competitors' more traditional satellite and microwave telephone lines while others boast "three out of every five people preferred the sound quality of US Sprint over A T & T on the first call."

Whether US Sprint's new marketing assault will succeed in generating the new residential and business customers It desperately needs is still an open question. An earlier J. Walter Thompson campaign for GTE's Sprint unit was admired for its technical quality but its rapid-fire images were criticised by others as being confusing to customers.

Coming late into the marketing fray, US Sprint has set out to sell its service oo the basis of its fibre-optic technology, stressing both the cost advantage and reputed quality. Even its new bigh-tech logo, dreamed up by Landor Associates, an international design consultancy based in San Francisco, is designed to convey "the speed, quality and simplicity of fibre-optics technology."

The company's senior marketing executives—mostly recruited from rival MCI—bave recognised, bowever, that selling technology is not easy. This is especially so when most telephone customers probably have not got a clue what a fibre-optic cable is and really don't care that one pair of the bair-thin optic fibres can transmit 3,000 telepbone calls simultaneously.

What US Sprint's marketing men, led by Charles Skibo, a 46-year-old ex-MCI senior manager and joint president of the new venture, and Edward Carter, the 48-year-old senior vice president in charge of sales for the company, bave also recognised, is that to battle-fatigued customers "price is not a strategy on its own." While Carter, a former senior MCI marketing man, says US Sprint's service will continue to be competitively priced, the company's aggressive "no-bolds-barred" multi-million dollar marketing campaign which bas just kicked off is emphasising above all else, quality.

As Carter, an ebullient southerner who also once ran Avon Cosmetics' European operations says, "the (AT & T) gold standard is no more." In order to get its high technology quality message across in an understandable and dramatic form US Sprint turned to its ad agency, J. Walter Thompson/West. The agency came up with a series of ads and a jingle called "it sounds like you are right next door" which attempt to pick np on things people say while on the telephone.

Another clever theme exploited by J. Walter Thompson is the idea of bearing the sound of a pin drop over a fibre-optic telephone line — according to Carter, 94 per cent of a 1,400 sampling said they could hear the pin drop over US Sprint's lines and 90 per cent reported hearing nothing when indeed no pin was dropped.

But Carter at least is confident. "Our new advertising campaign aggressively introduces US Sprint and boldly tells our fibre-optic story," he says. "We have a top quality product with superior technology that delivers the finest in voice and data transmission. Our advertising campaign will show Americans the tremendous advantages the new US Sprint has over competitors who must rely on outdated transmission equipment well into the future."

When the current round of marketing and advertising campaigns is over analysts believe AT&T will emerge retaining the lion's share of the market. It will have been helped in part by some extremely skillful marketing which stresses quality, reliability and the image of Ma Bell — the nickname of AT&T's telephone system prior to the company's break-up—pumped out over the TV airwaves by Cliff Robertson, the 60-year-old veteran actor.

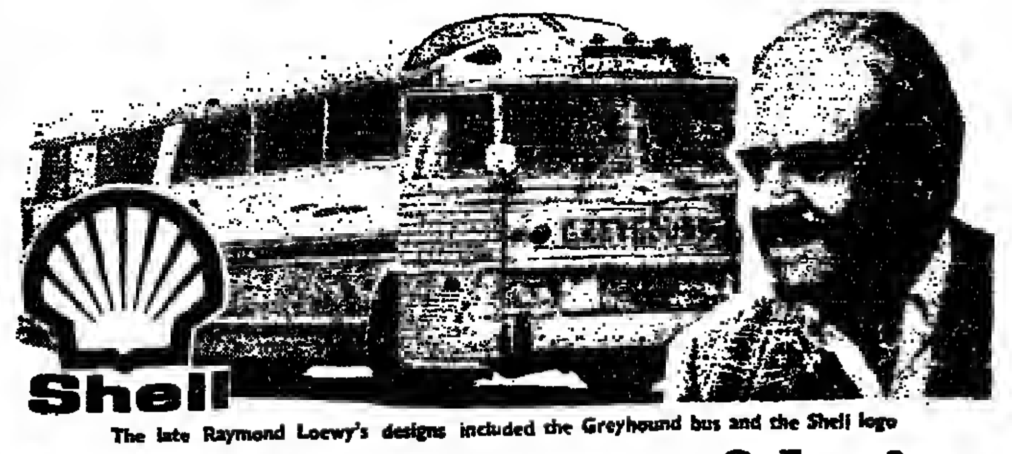
MCI, US Sprint and the estimated 400 other small long distance carriers — most of whom lease lines for resale—will be left to scrabble over the remainder. Analysts also believe that after telephone customers have made their initial long distance carrier choices it will be much harder to win market share.

The risks, and potential rewards, are enormous. The US long distance telephone market is worth about $45bn in annual revenues and growing at around 7.5 per cent a year. But analysts estimate that national operators need to capture at least 7 per cent of the market to justify the enormous capital costs of building their networks and to remain viable competitors in the long term.

US Sprint's buge planned all digital fibre-optic system is both a liability and benefit in the fight for market share. It is a liability, even to US Sprint (whose parents bave deep pockets and bave pledged their willingness to carry start up losses), because of its cost of construction and the potential threat of fibre-optic over-capacity if all the announced 60m miles of lightwave cabling is eventually built (US Sprint's own network will be capable of carrying half the total long distance calls currently made in the US).

On the other band US Sprint has a head start in building its fibre-optic network—it already has over 6,200 miles in the ground, more than AT & T and almost three times MCI's total. US Sprint is making bold claims for the reliability, low operating costs and superior quality of its network and analysts agree that the efficiency of competing networks could prove a key factor in the long term bealth, even survival, of the major industry players.

What is certain is that US Sprint faces a long hard uphill struggle to get its message across because neither AT & T oor MCI will stand idly by while US Sprint tries to grab market share. But it is a challenge the new company must win.



The late Raymond Loewy's designs included the Greyhound bus and the Shell logo

The pulling power of design

Christopher Lorenz examines the impact of designers on industry

AFTER reading the paeans of praise for Raymond Loewy over the past week, can anyone still doubt the power of design to bolster the fortunes of industry and commerce, often quite dramatically? By the same token, can anyone fail to see why designers are still so often seen as arrogant dilettantes?

Just 10 days ago, most people outside the United States bad never heard of the French-born American immigrant who, in the wake of the 1929 Great Crash, belped found the profession of industrial design.

Yet since his death on July 15, at the age of 92, millions of newspaper and magazine readers all over the world bave been flooded with pbotographs of a mass of familiar products, and with long articles extolling the personal genius which lay behind their creation.

The list is well-nigb endless: the nbiquitous Greyhound bus; the famous logo of Sbell, TWA, US Mail, Canada Dry, and Carling Black Label; tha modern generation of refrigerators, pioneered by Loewy for Sears, Roebuck in 1935; Studebaker cars; a bevy of toothpaste tubes and cigarette packs; tractors, helicopters, and the interior of a US presidential jet; even the "habitability factors" (including a neat porthole) inside NASA's Skylab spacecraft.

Virtually everyone in the industrialised world will have bought, used or seen several major Loewy products at one time or another. For many people they remain an exciting or reassuring part of their everyday lives—not the spacelab, perhaps, but certainly the Shell sign. Such is the power of design to mould the lives of Joe and Josephine Soap, as well as to fatten tha purses of the companies whicb supply these ardent consumers.

Today a bendfol of top designers in every country bas a similarly pervasive influence to Loewy's, albeit on a smaller scale: Kenneth Grange in Britain, Dieter Rams and Hartmut Esslinger in Germany, Mario Bellini, Ettore Sotsass and countless others in Italy, Keoji Ekuan in Japan. But, with the exception of Italy, tbey are seldom household names. Nor, in some countries, notably Britain and, oddly, the US, are their virtues sufficientiy recognised in the boardroom.

Stunning

It was to this low social and corporate status of design, rather than to his own character, that Raymond Loewy owed his relative anonymity outside the US. An egotistical self-promoter of unrivalled megnitude, he wrote to the London Times in 1945, for example, openly touting for business under the guise of extolling the potential benefits to the UK economy of using industrial design.

As late as 1980, he was still trying, in his inimitable way, to get the British to take design (and himself) seriously. His address to the faculty of Royal Designers for Industry that year was full of the first-person, ranging from his recollection of how, in the 1920s, "tha stunning, chic Californian fashion editor of Harper's became my girl friend," to his claim to bave invented the term "industrial design" (he didn't), and—more seriously—to his appeal for designers to become mucb more professional in their work for industry.

Such arch-egotism and individualism may have been attractive to the swashbuckling corporate barons of Loewy's heyday, but to today's generation of chief executives it only reinforces the business world's traditional image of the designer as corporate misfit—a description wbich is the antitbesis of reality in the cases of Grange, Esslinger, Bellini and many of today's other top designers.

But Loewy's address, just republished in a timely collection of speeches by various royal designers*, also bas a strongly positive relevance for companies wbich have at last heard the "design message," and are stumbling towards making better use of it in order to improve their competitive edge in the marketplace.

As Loewy argued, "tbe consumer is getting smarter; he has been abused too long, wasting his hard-earned money to boy junk fraudulently disguised as quality merchandise." Industrial design should instead be used as "design-in-depth," Loewy argued. It should deal not only with appearance, but also witb improved function, reduction of the product to essentials, and quality control.

Loewy did not always practise what be preached. But this does not detract from the relevance of his message to American and European companies struggling against Japanese rivals equipped with carefully differentiated strategies of "design-in-depth" to satisfy cleverly segmented categories of consumer.

Loewy not only put his very personal stamp of flair, colour and flowing line on several generations of products, and on America's way of life, he established beyond all doubt what might crudely be called "the pulling power of design."

Royal Designers On Design. Published by Design Council. Price £9.95.

THE ARTS

Kuhmo Festival/Andrew Clements

A dream comes true in Finland

A small town in eastern Finland, 100 km from the nearest airport and 500 km by road from Helsinki, with a population of around 3,000, seems a most unlikely spot for a music festival. But since 1970 it has become the gathering place for Kuhmon Kamarimusiikki, a celebration of chamber music which now attracts first-class musicians from right across Europe. Its beginnings were modest: while still a student the cellist Seppo Kimanen conceived the idea of inviting colleagues to meet together in Kuhmo, not only to play and give concerts but to be able to talk music among themselves, to share common problems and to give help to young musicians.

It has been more successful than Kimanen, who now combines his position as a member of the Jean Sibelius Quartet with that of the festival's artistic director, could ever have imagined in his wildest dreams. This year there were some 63 concerts in 15 days, involving 140 performers of 18 nationalities: established chamber orchestras, quartets and trios as well as a host of individuals who teamed up in *ad hoc* ensembles. Concerts—up to four a day, sometimes stretching into the early hours of the morning—are relaxed and pleasantly informal; every one that I heard in four days in Kuhmo was well attended and enthusiastically received.

There is no purpose-built concert hall in Kuhmo, understandably enough; the town has little indigenous musical culture, which makes Kimanen's original scheme seem even more inspired. The festival cherishes plans to build an auditorium some day, but meanwhile recitals are spread between the beautifully spacious town church and two school halls, one of them perfectly satisfactory, the other less flattering to performers.

So much music packed into two weeks could quickly become an indigestible mass. It doesn't, partly because many of the programmes are short, but also because this year three thematic threads ran in parallel through the festival. There were Haydn string quartets every morning in the church, Czech chamber music in the afternoon and Chopin recitals often in the late evening. Standards of performance were generally high, the finest often the least expected. Kimanen's trawl through the young musicians of Europe has yielded some striking discoveries, who often put more celebrated artists in the shade.

A community of musicians that gets together for the joy of performing and the excitement of encountering fresh colleagues

The festival began with visits from two highly contrasted chamber orchestras, the Moscow Virtuosi and the Deutsches Kammerakademie Neuss. Kuhmo is remarkable for the number of Soviet artists it can attract, though Vladimir Spivakov and the Virtuosi, bringing heavy-handed, self-regarding performances, were by no means the most convincing advertisement for the current generation of Russian instrumentalists. One of their concerts combined Mozart's 15th Symphony K 124 and his Sinfonia Concertante K 364 with Shostakovich's First Piano Concerto, and the stars of that evening were the two young instrumentalists, one American, the other German, who had the unenviable task of attempting to compete with Spivakov's arrant showmanship.

The trumpeter Stephen Burns also had to overcome the raucous playing of the pianist in the Shostakovich, Vladimir Krainev, but was still able to demonstrate remarkably fluent lyricism and warm, smooth tone, while Tabea Zimmermann managed to resist all Spivakov's attempts to upstage her in the Sinfonia and provided an object lesson in natural expressiveness, again and again turning phrases in the viola part with understated assurance. Both will be names to watch in the future.

The Deutsches Kammerakademie demonstrated the qualities of ensemble playing signally lacking in the Soviet group. Its average age, I would guess, is around 20; some of the 13 members are professionals, others still students. But they combine with an exuberance that is totally winning, and under their conductor Johannes Goritzki showed a strong structural grasp in works as dissimilar as the Brahms G major Sextet and Bartok's Divertimento, even when the finer details of their playing was hazily defined.

String quartets appeared to arrive with every plane. The Lindsay Quartet was eagerly awaited in the second week of the festival, but the Haydn series began with the Czech Panocha and Armenian Komitas groups, each with its own ideas on Haydn style—the Czechs fine-grained, scrupulously articulated but lacking a little in warmth, the Armenians their opposite, relishing the *cantabile* potential of every slow movement but apt to turn faster music into tests of virtuosity and display.

The Finnish Kokkola Quartet also contributed to the morning series, but had earlier made a striking impression in the first performance of the Fifth Quartet by Pehr Henrik Nordgren, a work commissioned by the festival.

The work itself was undistinguished, and short on memorable ideas, but it was played with confidence and apparent complete mastery of its technical demands. The quartet, as well as the excellent Trio Tepiola in Smetana's Piano Trio and the immensely hard second Piano Trio of Rakhmaninov, suggested that Finland is presently cultivating a very accomplished crop of young chamber musicians.

Individuals of distinction seemed to appear in every programme—the Austrian violinist Thomas Zehetmeir, an artist of great presence and massive authority, the clarinettist Eduard Brunner, the oboist Radu Chisu, the Soviet violinist turned viola player Grigori Zhislin. But to single out more would in one sense be invidious, for above all Kuhmo is a partnership of many equals, a musical community that gets together just for the joy of performing and the excitement of encountering fresh colleagues. In almost all respects Kimanen's original dreams seem to have been amply realised.

Perhaps in one way there is more to be done at Kuhmo. There is very little contemporary music in the programmes, and one suspected that Kimanen would like to include more but is aware of the musical conservativism of both performers and his faithful audience. He has built up a big following, the bulk of which travels to the town for the festival. The local people at present do not support the main events in great numbers, though specially designed evenings specifically for a local audience run in train with the festival in outlying districts. The process of education has to be carried forward, but so much has been achieved already that one cannot doubt that the rest will follow in its own good time.

Ivan the Terrible/Covent Garden

Clement Crisp

To open its first London season in 12 years, the Bolshoy Ballet proposed a work of uncompromising force, danced with no less uncompromising power. Yury Grigorovich's *Ivan the Terrible* is a saga concerned with the unification of the Russian nation under Tsar Ivan IV. It is a work extraordinary on many terms: in its bardic style; in its epic scale; in its blazing narrative directness, it sweeps over the audience as Ivan's soldiery race in pursuit of his enemies.

Grigorovich's procedures are those he has used in several other of his boldest creations. Massive production scenes are set against quieter, more contemplative incidents which explore the emotions of his hero. But in this case the tale is less a personal history than the matter of history itself: in a curious way the piece resembles a fresco of 16th century Russia, whose incidents are an exploration of the quest for personal power as the lynch pin of a dynastic drama.

Everything about the staging is monumental, not least the performance of Irek Mukhamedov as Ivan. The ballet astounds by its force, but it is a force concentrated in the most optically simple fashion. The unfolding of events can even be appreciated on the way in which we enjoy the continuous historical panorama of the Bayeux tapestry.

Simon Virsaladze's settings are three great semi-circles of metallic mesh which revolve to show rostra on which various incidents find their starting point. We trace the process which brings Tsar Ivan his identification as Terrible. The young monarch must fight for survival as ruler, by defeating rebellious boyars, and also as leader of his people against the invading Tartar horde. He is victorious on both counts, but loses his wife, the boyar maid Anastasia, to poison administered by the Boyar leader, Prince Kurbsky.

Alastair Muir

Irek Mukhamedov and Natalya Bessmertnova

There results a darkening of his mind, and his vengeance is told in one of the most macabre incidents in the ballet as Ivan, disguised as a deformed jester, poisons and kills his enemies. At the last he swings from the bell-ropes of Old Moscow, master of his land, but prisoner of his own absolutism.

Much of the action is symbolic, as is the dance language. Bell-ringers are a recurrent thematic device, announcing good news and bad; there are but three identified characters — Ivan, Anastasia, Kurbsky—while the rest of a large cast are the mass of the populace and the boyars, and figures representative of death and ultimate victory. Grigorovich manipulates them with a passion that is exactly matched by performance.

Striding the stage, storming the steps to his throne, tearing through the air in meteoric flight, Irek Mukhamedov is a magnificent Ivan. The role was written for Yury Vladimirov, whose performance — as I reported a decade ago from Paris—had a wild edge of madness to it. Mukhamedov is more physically powerful and rather more sympathetic, especially in the scenes with Natalya Bessmertnova's exquisite Anastasia. The role is gently written, and Bessmertnova brings to it a tenderness and a dignity that give the character a most touching beauty.

Kurbsky is a curiously ambiguous character. Never wholly unsympathetic, we appreciate his passion for Anastasia in Andris Liepa's reading, and see in the splendid outlines of his dancing all the nobility of the man. His administering of the poison to Anastasia even achieves a kind of ritual significance, as if to suggest that in bringing about her death he seeks his own.

Framing these grandiose performances the full and glorious cohorts of the Bolshoy company rage and race and command our belief at every moment. Yury Grigorovich manipulates them with complete mastery: they form the thick brush-strokes of energy with which he compels us to believe in the dark and tremendous portrait of Russian history. The score, assembled by *Mikhail Chulaki* from Prokofiev's film music for Eisenstein's *Ivan the Terrible*, from the third symphony and the Alexander Nevsky cantata, is a vivid springboard for the action, and it was superbly conducted by Alexander Kopylov.

Bejart in Milan, a marathon in Spoleto

The Teatro alla Scala has been offering Claude Debussy an un-birthday present in the form of a series of performances of "homage." He would probably have been satisfied, even delighted, with the concerts and recitals and the production of *Pelléas et Mélisande*, but he would have been much less likely to smile on the dance section.

This was divided into three parts: first a programme given by the resident company, with choreography by Jiri Kylian, Roland Petit and Uwe Scholz, then the song-dance-declamation of *Le Martyre de Saint Sébastien* (a co-production with the Théâtre de la Monnaie in Brussels) and finally five pieces by members of the Ballet du XXe Siècle grouped together as *Autour de Debussy*.

Maurice Béjart's would hardly be the first name to come to mind for a production in which the music was paramount, but on the other hand Gabriele D'Annunzio's text takes pride of place once the work is to be staged, and Béjart is no enemy to grandiloquence. Debussy's contribution, though these days the more highly valued, was only to write incidental music; hence the rarity of performances other than occasionally in concert form.

At the Scala première, Sylvain Cambreling looked after the orchestra, chorus and vocal soloists with skill, but the two and a half hours without an interval passed intolerably slowly, partly because although the dancers made a valiant effort to speak the verse, they were unable to render its high-flown rhetoric palatable. As Saint Sebastian, Eric Vu-An (on loan from the Paris Opéra) did everything that someone so wilfully miscast could do with the title-role. He leapt and turned and declaimed with great energy and style but seemed lost in that *galère*.

Béjart seemed to have paid greater attention to the overall production and too little to the choreography, which contained no surprises and no memorable moments. Other than Vu-An, the small group of dancers came from Béjart's du XXe Siècle. Didier Sandré made an arresting figure of the Emperor, and Maria Grazia Galante danced quite affectingly as the "Fille malade des fièvres," but she had difficulty in negotiating the French verse.

A score of dancers from the Béjart company, including Shonach Mirk, Ronald Perry, Rouben Bach and Gil Roman, were involved in the programme of five works at the Teatro Nuovo. They are all only at the apprentice stage, so none of the pieces could be considered as a true homage to Debussy by anyone who loved the composer's music, which was interrupted, disregarded and juxtaposed with fragments of other, contrasting, music by various composers, not all of them mentioned on the programme. To pop Debussy in as a character in two works (Lizon and Berriel) *hardly sufficed* to *justify the* label.

It is natural that Béjart's dancers, who probably see little by other choreographers, should be strongly influenced by his overpowering *personality*, but it was sad to see them aping his worst faults, such as a very cavalier attitude towards music — particularly culpable in this context — and also a recourse to abstruse symbols, portentous notes, bare torsos, passages performed in silence for no clear reason, and the rest of the bag of clichés.

Michel Gascard was the only one to perform in his own work (to, but nothing to do with, *Children's Corner*). Like the others — Philippe Lizon, Marco Berriel, Bertrand D'At and Kyra Kharkevitch (all leading dancers with the company) — he needs in the first place to clarify and simplify his ideas and then to enlarge his vocabulary of movement if he seriously intends to become a choreographer. Otherwise he and his colleagues would do better to stick to what they do well — dancing.

*

The poster for this year's Spoleto Festival, a sketch of a tousled-haired youth, is by Sidney Nolan, heralding the opening of Spoleto-Melbourne in September. The original Spoleto Festival, the 29th edition of which has just finished, has rather lost its gloss over the past few years. Since the foundation of the sister festival at Charleston, American interest in the Italian one has declined, as has American financial assistance.

The first of the dance offerings was Graeme Murphy's *Some Rooms* (1983) for the Sydney Dance Company, at the Teatro Nuovo. No other dance event took place inside a theatre (other than Vittorio Biagi's contribution to Rameau's opera-ballet *Platée*, at the Caio Melisso), and taped accompaniment ruled. A basic coarseness in Murphy's energetic but excessively unsubtle dance invention made his work less than sympathetic to a fairly sophisticated European audience, nor did any dancer stay strongly in the mind. However, the general standard of athleticism was commendable.

Either the tape or the amplification left so much to be desired that both Poulenc's Organ Concerto and, of all things, the sea interludes from *Peter Grimes* sounded like organ grinder's fodder. The company gave a second programme, *After Venice* (based on Mann's *Death in Venice*) in the Roman Theatre.

This open-air theatre housed the other two dance events. At Charleston the Scottish Ballet had given two programmes, but most of their repertory demands a real theatre: at the Roman Theatre there is no room for scenery or musicians. The company made some mistaken choices. It is foolhardy to offer a virtuoso showpiece like *Le Corsaire* at Spoleto with dancers below world class, Royston Muldoon's *Ursprung* made a less than gripping opener, and it was a great pity that the only piece by Peter *Darrell included* in the Spoleto programme, a pas de deux to Delius' *Irmelin*, was given a single airing at the last performance.

The two better choices were Christopher Bruce's *Remembered Dances* (with a notable contribution from Elaine McDonald) and André Prokovsky's well-crafted *Vespri*, danced with assurance, precision and style.

A week later the Roman Theatre was sold out for the three performances of the Dance "Marathon," organised by Alberto Testa and Vittoria Ottolenghi. This year the emphasis was placed on male dancing, but since most of the starriest guests whose names had been trailed did not materialise, the most stirring performance came from one of the few ballerinas participating, Ekaterina Maximova. The curiosity of the "suite" from *Anyuta* danced by her and Vladimir Vasiliev in the brief section illustrating the art of partnering lay in Vasiliev's transfer from the role of Anyuta's father to that of the young student she abandons for an easier life with her rich bureaucrat. Somewhat mature, perhaps, for a young student, and a bit weighty too, but still a great partner, while his wife gave a performance of exquisite purity, line and expressiveness.

Peter Schaufuss—with Alessandro Molin as his alter ego—danced magnificently in Maurice Béjart's male duo *Songs of a Wayfarer*, while Raffaele Paganini stood out among the large Italian contingent by his strong and well-disciplined dancing in a solo by Kevin Haigen.

Freda Pitt

Jacobowsky and the Colonel/Olivier

Michael Coveney

Jacobowsky and the Colonel in the Olivier marks the debut of yet another syndication at the National Theatre, this one under the direction of Jonathan Lynn. Characteristically, Mr Lynn has chosen a sentimental, well-crafted piece on a serious subject, the fall of France in 1940. S. N. Berhman's 1944 Broadway comedy was derived from the original of a Czech emigre to Hollywood, Franz Werfel, who was married to Mahler's former wife, Alma, and who wrote the *Song of Bernadette*.

The subject of European emigration is filtered through the comedy of a Polish colonel's hasty departure from occupied Paris in one of the Rothschilds' flashier cars. To the colonel's chagrin, the agent of his escape is a compatriot Everyman, Jacobowsky, an experienced fugitive with a survival instinct and a phrase for all seasons. En route to a night boat for England, the duo collect the colonel's girlfriend, Marianne, and are nearly cornered by the Gestapo in the woods near Bayonne.

Alastair Muir

Nigel Hawthorne (left) and Ken Stott

Behrman, a stylish member of the Playwrights Company on Broadway in the 1940s, was a renowned salon dramatist who wrote for the Lunts, Katherine Cornell, Laurence Olivier. This was a hit comedy and, in 1957, a Danny Kaye film (Michael Redgrave played the colonel in London in 1945). *Pace* Eric Bentley, who considered the play banal and dreadful, lumping Werfel with Priestley and Saroyan as "a slickster troubled with immortal longings," Mr Lynn's production recovers from a chronically slow and unengaging first act to exert an undeniable charm and even a farcial energy.

It would have been easy for Geoffrey Hutchings as Jacobowsky to play a comic, twinkling, maybe tiresome Kaye clone. Instead he portrays a dapper, serious professional emigré aghast at the colonel's violin serenading of Marianne as the Germans close in. Marianne is beguiled by him, but their big scene about a new France and a new world was sabotaged last night by a little dog who decided to chase his own lead.

Marianne (Gemma Craven) gives the colonel another source of complaint against Jacobowsky, his antipathy growing from the first encounter in the Paris air raid shelter. Jacobowsky lays on the car and improvises a lunatic alibi for the colonel in the woods. Nigel Hawthorne, offering a figure of unimpeachable rectitude with a strangulated Polish accent, simmers volcanically away as the little man effortlessly charms Marianne ("Less and less I like this Jacobowsky") until his explosion as a mute refugee from the Nantes asylum subjects *him* finally to *his* inferior's superiority.

Colonel Tadeusz cannot make love to Marianne, only talk of ballistics. Jacobowski seduces her by speaking naturally. The show will no doubt pick up as the contrast is developed, but the duel itself, Jacobowsky switching the bullets, is funny enough until interrupted by Frank Lazarus's bizarre music-loving lisping Gestapo officer in Tyrolean walking gear.

The evening is slight, less than uproarious, but an improvement on recent productions here of material of ostensibly classier pedigree.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Exhibitions

July 18-24

PARIS

Picasso Museum. The 17th century Hotel Salé, sumptuously restored, provides a fitting home for the world's largest collection of Picasso's work. It comprises 203 paintings, 158 sculptures and more than 3,000 drawings and engravings, 16 collages and 88 pieces of ceramics. It is completed by Picasso's collection of paintings by his friends such as Braque and Matisse, or by artists he admired, Renoir, Cézanne and Douanier Rousseau. Musée Picasso, Hotel Salé, 5 Rue Thorigny, Paris 3 (42712421). Closed on Tuesdays.

Rodin's Riches. A delightful 18th century Townhouse – Hôtel Biron – contains the life work of Auguste Rodin, whose genius opened the way for modern sculpture. In the gardens his Thinker broods, the Burghers of Calais trudge to their tragic destiny and Balzac, draped in his cloak, defies time. Musée Rodin, 77, Rue de Varenne (Métro Varenne) (47050134). Closed Tuesdays.

WEST GERMANY

Düsseldorf, Kunstmuseum, Ehrenhof 5: Otto Pankok (1893-1966). The Passion; 60 huge charcoal drawings by the German expressionist covering 1933-34. Ends Oct.

ITALY

Padua, Certosa di S. Lorenzo: Paestum and the Doric Revival 1750-1730: An exhibition organised by the University of Salerno shows how the discovery of the three Doric temples in 1750 – isolated on flat ground overlooking the sea, south of Salerno – captured the 18th century imagination. On show are over 200 works, mainly drawings, by travellers from *Europe and North America*, including views of Paestum by Hackert, Hubert Robert, Cozens and Piranes. Until July 31.

NETHERLANDS

Utrecht, Catharijneconvent. The legends and facts surrounding the life and voyages of St Brendan, the 6th-century 'Irish Odysseus', are examined with the aid of fancifully illuminated manuscripts and early printed books. Ends August 10.

BRUSSELS

Ghent: Chambres d'Amis, 51 international artists showing in 51 private houses. Tickets, map etc from Modern Art Museum, Ghent (091/211703). Ends Sept 21.

SPAIN

Madrid, References and Identities. An encounter of prestigious international artists welcoming the inauguration of a new art centre in Madrid: Centro Reina Sofia, Santa Isabel 52. Ends Sept.

LONDON

The Tate Gallery: Oskar Kokoschka – a major exhibition to mark the centenary of the Austrian survivor of the great age of expressionism before World War I, who died only in 1980 at the age of 94. He continued to work long into old age, by which time the sometime radical, ex-cavalryman in the Austrian Emperor's army had been long confirmed in the Establishment, a Swiss resident for nearly 30 years and British citizen for nearer 40. This full retrospective confirms that the young painter, fresh from his studies in Vienna in the mid-1990s, was an artist of vision and true genius. Ends Aug 10.

NEW YORK

Japan House: Burghley House, with the earliest known record of Japanese porcelain in Europe, provides a touring exhibit that will visit the High Museum in Atlanta and then Japan through 1988 with 205 Japanese and Chinese objects dating from the 16th to the 18th centuries. Ends July 27.

WASHINGTON

National Gallery: The first major retrospective of the works of 19th-century American landscapist George Inness traces the artist from the early influence of French Barbizon landscapes through the development of his own soft naturalism with dramatic skies dominating rolling terrains. Ends Sept 7.

CHICAGO

Art Institute: Famous as a fashion photographer, Richard Avedon undertook a five-year project to capture the American West in the tradition of nineteenth-century photographers such as William Henry Jackson. The results are "a fictional West", Avedon claims, with outsized portraits of Americans ranging from a rattlesnake roundup to county fairs. Ends August 3.

BBC Philharmonic/Albert Hall

David Murray

From a *concert consisting* of Berg's Violin Concerto and Bruckner's unfinished but grand Ninth Symphony, one might fairly expect much more than Bernhard Klee and the BBC Philharmonic supplied on Tuesday. Klee is a serious, sober conductor and in Edith Peinemann he had a dedicated soloist for Berg's concerto. What we heard, however, was doggedly serious and piously sober to the point of distraction; the numerous little orchestral fluffs began to seem natural slips by players whose minds were understandably wandering.

The opening of the Berg was admirably lucid and throughout the piece Klee managed very careful balance — rather at the cost of the essential highs, which left the crisis-point of the Allegro low and dry. It was almost a study-performance: Peinemann's scrupulous and (mostly) well-tuned playing avoided anything like romantic emphases, or indeed anything much like a solo personality. This is not a work for a "primus inter pares" performer, and with overt feeling so modestly restrained in the central role — and the tempi constantly inclined to droop — the Concerto carried only a modicum of its proper impact.

If the Bruckner Ninth did not seem as protracted as the Fourth in Sinopoli's recent account with the Philharmonia, it was only because the Ninth is actually shorter. Again there was a frustrating lack of cumulative weight, most painfully missed in the Adagio; Klee's unhurried steadiness became dull, with his few, guarded accelerandos leading to nothing in particular — never an incisive climax. Rhetoric was eschewed severely, and with it the broad Brucknerian drama. David Powell's beautifully sensitive, thoughtful oboe supplied almost all the positive rewards there were to be had.

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The future of work

THE SPECIAL report on work published by the Financial Times today illuminates the main trends in employment but does not tell us what to do about the lack of it. That depends not on observable movements or extrapolations but on political will—and it is the theme of many who comment on work's future in our report that that will should now be stronger, especially in west Europe, than it presently seems to be.

No one expects a rapid or short-term diminution of the mass unemployment with which most west European states have learnt to live over the past decade: the necessary adoption of advanced production technologies and the drive for greater efficiency do nothing immediate for employment except (usually) diminish it, and it is unreasonable to expect such movements to do so.

Major alterations

High unemployment has already, in most advanced countries, assisted in the weakening of organised labour; involved corporations in the provision of community support where previously such action had been monopolised by the state; toughened managements and made them deeply reluctant to hire people after the traumas of firing them; identified entrepreneurs and small businesses as the main source of future jobs; and helped throw established political thinking, especially on the left, into new melting pots. It has made vivid the need for rapid and continual upgrading of human capabilities by the cruel device of putting out of work many millions of men and women whose muscle power or dexterity were all they had been led to expect they would need to keep a "steady job."

From this, some measures commend themselves, and are commanding some degree of consensus. The adoption of new technologies and of management strategies efficient in the use of all inputs is a continuing necessity; the opening up of corporations to what had been solely a US-style of involvement in community matters is a recognition that they should address the consequences of their own redundancy programmes; the acknowledgement, especially on the left, that policies developed for a full employment economy driven by big manufacturing companies cannot be fitted without major alterations to high unemployment economies, increasingly service driven, is inevitable and welcome.

A lesson particularly hard learnt is of the need for much more extensive preparation for the world of work than is presently available in any advanced country: it is a concern evident everywhere, and those countries where the (company led) training programmes are most advanced, as West Germany and Japan, are best able to respond to new requirements.

Hard learnt, too, is the need for continuing trade union reform. The special poll on work which accompanies our report shows that unions can expect continued decline as their best organised areas continue to shed labour: the report also reveals that they remain strongest where they have shouldered some of the responsibilities of management.

A further area of grudging consensus is pay: left and right, in different accents, agree that control of pay, either through labour market clearing mechanisms or through incomes policies of some kind, is necessary for employment growth. There is agreement, too, that simple stimulation of demand is likely to cause, at some point not too far out, inflation.

Acute problem

In the US and the UK, much importance is bestowed on linking pay to profitability (the idea is getting a bearing in the People's Republic of China, too). At the same time Prof Richard Layard of the London School of Economics proposes (in our report) a directing of jobs provision on the long-term unemployed who are already so far outside the labour market that they act as no brake on wage rises and their numbers do not fall as vacancies increase.

The long-term unemployed—around 40 per cent of the totals in countries such as Britain and France — deserve most help soonest. It will be expensive but the problem is acute and the wastage of purposeful life very high. It is time to move those who have suffered most from, and are least able to cope with, change sharply up the policy agenda.

Breakthrough for Mexico

THE FINANCIAL rescue package agreed this week by Mexico and the International Monetary Fund looks like a bold and positive new departure — for Mexico, for the developing country debtors and for the world economy as a whole. It could well vindicate some of the optimism on Third World debt generated last October when Mr James Baker, the US Treasury Secretary, put forward his plan for "growth-oriented adjustment."

As Mr Gustavo Petricioli, the new Finance Minister, underlined on Tuesday when he took the unusual step of inviting the Press to witness him handing his country's letter of intent to the IMF's managing director, Mexico's tougher new approach has succeeded in shifting the balance of power between the fund and the debtor nations. In the negotiations for this agreement, the framework was set by the demands of Mexico for faster growth as much as by the IMF's general principles of financial orthodoxy.

Thus Mexico has won unprecedented commitments to additional financing if its domestic growth should fail to recover or if oil prices should fall below $9 a barrel. It has avoided being tied to any very stringent fiscal targets and it has been promised a package of new money far larger than most bankers were prepared to contemplate a few weeks ago.

Hardest hit

At first sight, these breakthroughs by Mexico might look like setbacks for the orthodox approach to developing country debt which has so far succeeded in averting a full-blown crisis of international finance. And in the short term, there could indeed be serious financial ructions as a result of difficulties in persuading commercial banks to back the massive loan syndication envisaged in Tuesday's agreement. In the longer term, however, the new flexibility displayed by the IMF and Mexico's success in negotiating a package which it believes to be compatible with its domestic political requirements should point to healthier and more secure development of the international financial system and the world economy.

Sooner or later, the Third World debtor countries which had been hardest hit by the collapse of oil and commodity prices were bound to opt for more expansionary domestic policies, even if this meant achieving smaller trade surpluses and therefore undercutting their debt servicing ability. The choice facing the IMF—and the US authorities which had a crucial influence on the negotiations — was whether to offer Mexico an agreed framework within which cautiously expansionary policies could be attempted or simply to cast Mexico off on its own and lose any influence over its policies and possibly even its political direction.

Further sacrifices

But there were also more positive reasons for choosing the co-operative approach. More expansionary macroeconomic policies in Third World countries, especially if they are carefully monitored and internationally negotiated and combined with the sort of market-oriented microeconomic reforms envisaged by the Baker Plan and the World Bank, could bring significant benefits to the industrialised countries and the international trading system. The collapse of exports to developing countries has been a major factor behind the economic disappointments seen in the last few years not only in the US but also in Europe and Japan.

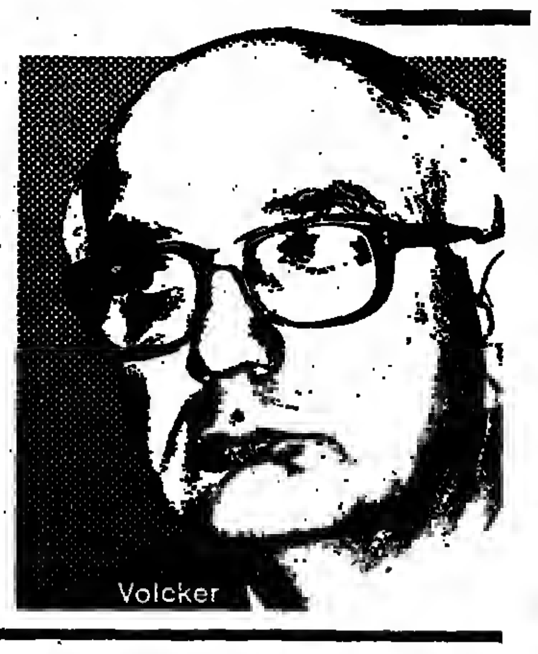
If all goes well, the agreement between Mexico and the IMF could become one of the first concrete manifestations of Mr Baker's ideas. Of course, to make the deal work will require further hard work and sacrifices from all parties. The Mexicans will have to show evidence that they are capable of abiding by economic targets of their own choosing better than they have followed those imposed by the IMF in the past. The commercial banks will have to succumb to political arm-twisting from their own governments on a scale unprecedented even in the last few years. And western governments will have to put their own money where their mouths are by providing far more in the way of medium-term export credit facilities, as well as the bridging loans which will be required in the next few weeks. However, with sufficient flexibility, pragmatism and good luck, the Mexican agreement could prove to be the biggest step yet taken towards a permanent resolution of the Third World debt crisis.

Economic Viewpoint

Washington gets tired of excuses

The Americans are angry that the Japanese and Germans have not backed their efforts to stimulate global economic activity, writes Samuel Brittan


Baker


Volcker

THE annualised growth rate of the US economy in the last three-quarters has been about 2 per cent, disappointingly slow, although faster than in the other main industrial economies. Earlier hopes that the oil price collapse would stimulate the world economy have been disappointed; and it is now difficult to find people who admitted believing it in the first place.

Sluggish economic performance is not being greeted in the US with either the stoicism of the Japanese, the smugness of the Germans, or the partisan frivolity of the British, but by a mood which can be called either hysteria or justified alarm according to taste, as I found on a visit a few days ago.

In the New York financial community there is much talk of deflation and recession. This emphasises:

● The continuing fall in commodity prices and in wholesale prices despite the drop in the dollar (emphasised by Larry Kudlow of Bear Stearns).

● The fall in non-residential investment in contrast to normal behaviour in the late stages of an upturn (Alan Greenspan, former economic adviser to President Ford).

● Short-term interest rates have not fallen fully in line with inflationary expectations, despite the Fed's relaxation of monetary guidelines.

Official growth forecasts, however, have been trimmed, not put into reverse. The Fed's new forecast is still of 2½ to 3 per cent growth for 1986, improving to 3 to 3½ per cent in 1987.

Nevertheless, fears of slow growth are causing as much anxiety in Washington as recession fears in New York. Among the reasons for worry are:

● The "divided nation": agricultural and oil states are depressed while the seaboard area prospers.

● The Congressional elections in November.

● The effects of growth arithmetic on Budget deficit projections.

● The effects of slow world growth on the international debt problem, which is largely Latin American, are felt acutely in the US, which is becoming increasingly hemispherical in orientation.

The Mexican debt agreement, which is a personal triumph for IMF director, Jacques de la Rosiere, and achieved against high odds, is a near-revolutionary breakthrough. Apart from its growth orientation, the involvement of the World Bank and the large sums of "new money," the agreement contains two novel safety valves. Multilateral funding will vary inversely with the price of oil; and public investment can be increased at the expense of the Budget deficit if there is a growth recession.

Here is the first sign of the Baker plan for ldc debt. Of course the banks may make trouble about agreeing, but the last resort alternative is the formal writing down of the ldc debts on their books.

The Mexican debt settlement, even if ratified, will not, of course, remove America's growth worries. But the striking contrast to a British visitor is how the popularity of Ronald Reagan—unlike that of Mrs Thatcher—is unaffected by these banausic problems.

The retreat from technical monetarism has also been conducted with much less anguish. Paul Volcker's attitude to the monetary aggregates was always tentative and volatile. He has switched, not his doctrines, but his anxieties, from inflation to stagnation.

Volatility of moods is nothing new in the US. What is novel is the extraordinary bitterness with which foreigners, and particularly the Japanese and the Germans, are blamed for not backing US efforts to stimulate world economic activity. When the discount rate was cut from 6½ to 6 per cent on July 10, the Fed press release originally had an additional sentence calling on other countries to follow the US example; and the delay of Germany and Japan in doing so has caused intense exasperation, which surfaced in Volcker's Congressional testimony yesterday.

When I suggested last week that the best way to get Japan and Germany to cut interest rates might be for the US to act first. "Sure," was the reply. "If we do 3 per cent, they'll do 1 per cent. It ought to be the other way round."

There is genuine astonishment in the highest reaches of both the Fed and Treasury that financially strong countries with zero or negative inflation and faced, as in Germany's case with 9 per cent unemployment, should take no action. "If this happened here, there would be no end of Congressional inquiries into the Fed. We might even be impeached," I was told.

"But surely," I asked, "you don't expect Britain with its wages problem and the oil factor, to give the lead?" But my interlocutor would not be appeased. "Excuses, excuses, everyone has excuses. Doesn't 13 per cent unemployment matter?"

The Fed itself emphasises that its own modest growth estimates are based on analysis and past relationships, rather than any visible evidence. It seems to be counting, for instance, on a $30bn to $40bn volume improvement in the US trade balance next year.

This is possible, given the large improvement in US export price competitiveness—although not yet in import competitiveness, as foreign suppliers have so far taken the brunt of dollar depreciation in reduced margins.

In contrast to Volcker, Prof Martin Feldstein, the former chairman of the Council of Economic Advisors, thinks that the potential contribution of overseas stimulation has been overdone and that further depreciation of the dollar is now far more important — coupled with an attack on the structural Budget deficit.

The main attention of the US Treasury has switched to the Pacific countries, such as Korea, Taiwan and Hong Kong, whose currencies (unlike the yen) have failed to appreciate against the dollar—and also to Canada. With the threat of protectionist legislation in Congress, I would expect these countries to heed US warnings.

One surprising finding is the way in which Administration members speak of the May Tokyo Summit declaration as if it were a hard agreement, rather than just a vague commitment to worthy objectives, as it is considered in Europe; Treasury Secretary James Baker still believes in unpublicised target exchange rate zones. But it is far from clear that the Summit countries would agree where such zones should be.

The firmest wording in the Summit Communiqué commits the seven Finance Ministers to examine at least once a year the compatibility of their economic objectives with the help of 10 "indicators."

The IMF sees the first stage as obtaining an internally consistent picture from each country agreed with the Fund staff. The second stage is to set out inconsistencies between the goals of different countries. This might involve publishing from 1987 onwards a less "sanitised" IMF Economic Outlook, which would not seek to paper over conflicts and inconsistencies.

The third and more visionary stage seen by the Fund is a joint effort not merely to remove inconsistencies, but to make further adjustments to secure better results for the world economy—or "optimisation" as the misleading jargon puts it.

One does not have to be an econometric genius to envisage how the first and second stages might work at present. The US objectives would be to stimulate growth and reduce the current payments deficit, which serves as a red rag to domestic protectionist sentiments.

Germany and Japan might emphasise non-inflationary growth and near-balanced budgets. It is doubtful if there is any law of economics which states that as the US budget deficit falls, the German and Japanese ones must rise. But a consistency exercise might establish that if the Germans and Japanese do not want to "reflate" they would have to accept further appreciation of their currencies; a prospect which, for the record at least, Baker finds more tolerable than Volcker.

Recently financial diplomacy has been largely left to the Fed, as most of James Baker's own time has been devoted to the Tax Bill, which is now being considered by a joint Senate-House Conference. The Senate version, preferred by the President provides for two personal tax brackets of 15 per cent and 27 per cent to replace the present range of 11 to 50 per cent. Both Senate and House versions pay for tax reduction by removing exemptions, privileges and deductions.

British enthusiasts for the reform do not, however, realise that it is financed in part by a shift of the tax burden to corporations, which would lose their investment tax credits. The hard-core reliefs for home mortgages or pensions are not touched in the US any more than the UK. The Senate wants to strike out reliefs for individual retirement accounts, but these are likely to be restored in Conference.

Why does the Administration have to be so involved at this stage instead of leaving the Bill to Congress?

● It wants to make sure that President Reagan and not just Congress obtains the credit.

● It wants to prevent the House and Senate from resolving their differences by putting further burdens on business.

● It is also worried that the compromise may be made by transforming tax reform into tax reduction, thus aggravating the deficit problem.

This worry is put last as the Administration believes that the Budget deficit is a problem to be tackled after the November Congressional elections.

The official deficit estimate for the fiscal year ending October 31 1986 has now been raised towards $220bn because of the slower-than-expected growth. The estimate for 1987 is critically dependent on the Administration's growth forecast due in August. The Congressional Budget Office originally projected a $172bn deficit for 1987, but this is likely to be raised in August.

The Gramm-Rudman Act, which provides for automatic year-by-year Budget cuts has not been declared unconstitutional in toto, but only the role of the Comptroller General in triggering sequestrations. Congress has the option of amending legislation to make, for instance, Budget Director James Miller responsible. This would overcome the constitutional objections. Alternatively it can pass a resolution itself which would enforce the Gramm-Rudman cuts across the board.

Gramm-Rudman provides for a Budget deficit ceiling of $144bn in 1987, which definitional changes raise to $154bn. Any excess above this in the combined averaged forecast of the Budget Director and the Congressional Budget Offices would be divided into two equal sums which would be lopped off military and civilian spending respectively.

The President might veto a Gramm-Rudman resolution on defence grounds. Even if he does not, there is a feeling that Congress will in the end back off. "We're going to have a $190bn deficit, which is what we need in a poor growth period," remarked a Republican Congressional aide.

The process of deficit reduction might be a little easier if cyclically adjusted or high employment deficits came back into fashion, having been previously abused by fiscal expansionists. Gramm-Rudman allows for recession, but only after the event.

Despite all these reservations, the Budget outlook has been dramatically transformed over the past couple of years. Even without Gramm-Rudman, the Congressional Budget Office now sees the nominal deficit halving in the course of the decade and falling even more as a proportion of GDP, largely because of the levelling-off in military spending.

This is, of course, too slow to help with immediate monetary management. The problem is how to accommodate a gradual slide in the dollar, without the "self-reinforcing, cascading, depreciation" against which Volcker warned yesterday. Such a free fall could push up long-term interest rates and force the Fed to reverse its policy on short-term ones. Other central banks can help avoid this disaster by following the Fed downwards, which is what they are likely to do after delaying too long for reasons of *amour-propre*.

CHANGES IN US COMPETITIVENESS

$ prices of:	% increase 1983-85 qtr1	% increase 1985qtr1-86qtr1
Imported consumer goods	8.2	3.1
Domestically produced consumer goods	2.1	−8.6
Imported capital goods	−9.2	−1.8
Domestically produced capital goods	4.1	1.8
Japanese exports	−4.7	+18.8
German exports	−17.9	+37.8
UK (non-oil) exports	−15.2	+29.3
US exports	+1.9	−8.9

Source: Schroders

Men and Matters

Grimstone goes private

Much of the success of the government's privatisation programme, until recent hitches began to intrude, was due to Gerry Grimstone, the Treasury official who is now about to leave the civil service for a job in the private sector. He will not say where he is going.

John Moore, promoted to transport secretary in the last reshuffle from Treasury minister in charge of privatisation, and Grimstone, are said to have made a superb team.

Besides making a name for himself in the city where he drove a hard bargain on fees for broking, accounting, and legal services, Grimstone was credited with having made privatisation more accessible to the public by promoting small shareholders and employees in the new ownership structure.

His job brought him into daily contact with the private sector—making it almost inevitable that eventually he would join the growing list of civil servants who have left Whitehall for pastures new.

He also made a point of being available to the press which he saw as an asset—if properly briefed—in getting support for privatisation.

That's life

After a short and often hectic life, the Marketing of Investments Board Organising Committee (better known to you and me as Miboc) holds its last meeting today before being absorbed by the Securities and Investments Board.

Miboc was set up 18 months ago under the chairmanship of Mark Weinberg, the life assurance entrepreneur.

However, his flair did not rub off on Miboc which has struggled to achieve often conflicting objectives within the terms of the Financial Services Bill. The proposals that have emerged at regular intervals have often appeared to be more concerned with the protection of life companies and salesmen than the protection of the consumer.

The skills of Miboc have been more apparent in fighting off the proposals of members of the Parliamentary Standing Committee that would have forced life companies and salesmen to reveal their costs, charges, and commissions.

Today's meeting will present small opportunity for nostalgia. Miboc has still to produce its rules for marketing and advertising. And it remains to be seen whether these will receive greater approval than some of its other offerings.

Weinberg is one of the two deputy chairmen of the SIB. Two other Miboc members from outside the insurance industry, Rachel Waterhouse and Eddie Ray, are also SIB members.


"Now the cane's gone I suppose you'll want the Whips abolished next"

Ad-lib

With opportunities to air one's political views in public becoming increasingly rare in South Africa, the country's biggest daily newspaper has opened its classified advertisement section to readers with a message for the government.

The Johannesburg Star published its first 41 "people's initiative" ads yesterday as British Foreign Secretary, Sir Geoffrey Howe was meeting President P. W. Botha in Pretoria.

Appearing next to the lost and found column, the most prominent ad in the new section was one reminding white readers that Howe's visit "may be our last chance to negotiate with the international community. Remember Rhodesia." Another urged the Government to charge or release all state of emergency detainees, while a third noted that "we resent being the polecats of the world. We demand solutions which will return South Africa to its rightful role of respectability."

The Star — which earns about R11 (US$4.50) from every ad placed — has drawn up eight standard formats (including the one to charge or release detainees). Readers are welcome to submit their own wording but, in a sad sign of the times, a clerk at the Star warns that all personalised ads must be checked by a supervisor to ensure they do not contravene security laws or state of emergency regulations.

And there is no guarantee, of course, that President Botha will read the ads, much less heed them.

Healthy task

Probably the most difficult job on the Whitehall public relations circuit—director of information at the Department of Health and Social Security—will be filled shortly by Romola Christopherson, currently head of information at the energy department.

Her priority between now and the election will be to convince the public, through what Whitehall regards as a largely unsympathetic media, that the government is actually strengthening the National Health Service, rather than cutting it as some critics suggest.

Now that some of the damage done during the teachers' dispute is being remedied by Kenneth Baker, Education Secretary, the NHS sticks out as the major area where Mrs Thatcher is faced with an immense public relations task.

Christopherson, aged 47, earned her spurs in some Whitehall hot spots—the Northern Ireland office, the energy department during the miners' strike, and as deputy to the irascible Bernard Ingham, press chief at 10 Downing Street.

Meanwhile, the person who will have the task of pulling together the NHS internally has yet to be found. Nearly two months after the sudden resignation of Victor Paige, first head of the NHS, approaches are now being made to potential successors. They include Len Peach, who was head of personnel at the NHS on secondment from IBM, and who is said to be making a considerable impression as Paige's temporary successor.

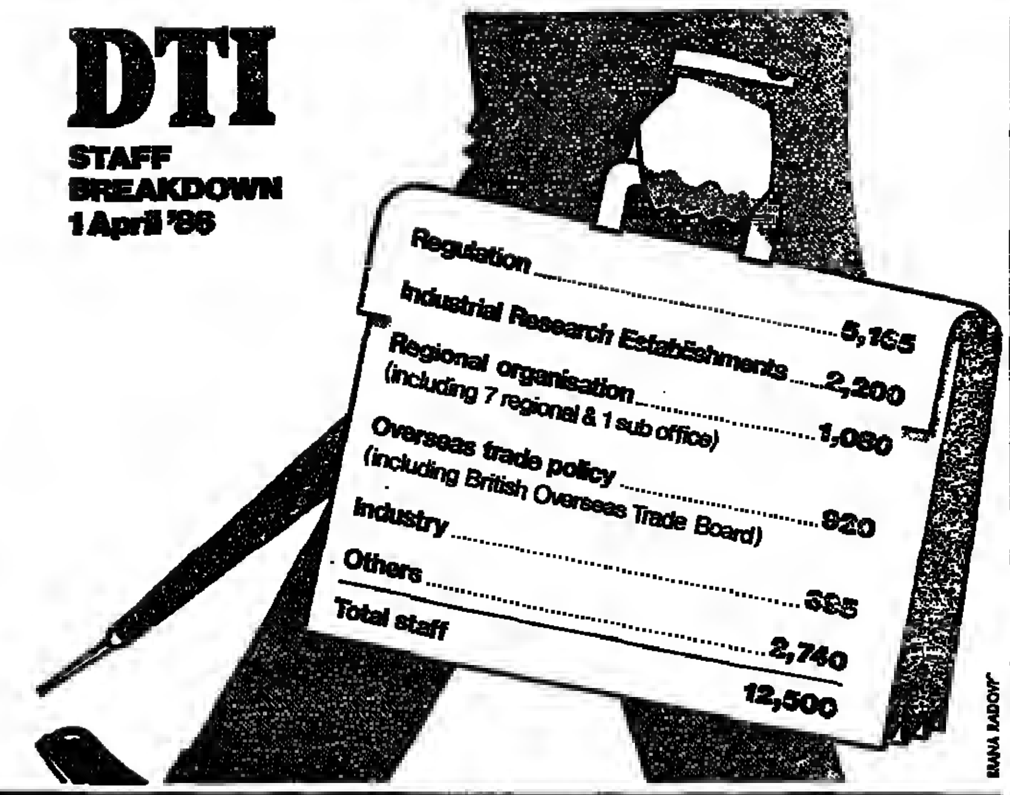
Better half-day

Excerpt from a biography of Hajime Tamura, new Japanese minister of international trade and industry, published in a Japanese English-language newspaper—"He is well known for his devotion to his wife and he still spends most Saturday afternoons with her."

Observer

Seamless robe looks a little threadbare

Hazel Duffy on Britain's Department of Trade & Industry



BESET BY a series of widely publicised mishaps over the last few months, the Department of Trade and Industry (DTI) must now rank as one of Whitehall's unhappiest departments.

Today it is thrust into the limelight again, with the publication of the Commons Defence Committee's report on the Westland affair, by far the most damaging of the department's recent difficulties. Close on the heels of Westland came the DTI's ill-fated attempt to arrange the sale of British Leyland's commercial vehicles subsidiary to General Motors, and its controversial handling of the recent tin crisis.

As the Government department which, nominally as least, has primary responsibility for British industry, it has had little to offer by way of sparkle. Manufacturing in Britain—with a few notable exceptions—remains stubbornly uncompetitive, the country's trade deficit in manufactured goods grows; and the economic imbalance in the regions gets worse. Under Mrs Thatcher, the department's mission has been, in theory at least, to disengage and to privatise the privatisable.

Information technology is one of the few sectors where the government has adopted an interventionist policy, but even here Britain struggles to make its mark internationally.

In computer-aided design and manufacture, the opportunity to build a fledgeling industry into something more substantial seems to have been missed. Key industries like machine tools have been crippled by imports.

Part of the department's problem revolves around the inevitable anomaly of a division set up with an interventionist aim, now operating uncomfortably under a government which believes in limiting it to providing a framework within which industry is free to make its own decisions without undue government interference.

The Department of Industry, which merged with Trade in 1983, grew out of the Ministry of Technology created by Harold Wilson in the 1960s. It became the DTI, including energy, under the Heath government, when it was intended to be a powerful economics ministry balancing the Treasury, then a separate department again.

In fact, the old DoI was to have been one of the first to feel the impact of Mrs Thatcher's 1979 election pledge to roll back the frontiers of the State. Her first Industry Secretary, Sir Keith Joseph, went to the DoI prepared to wind it up.

In the event, he concentrated on using weapons like public procurement policy to strengthen the supply side of industry.

But the DoI bureaucracy proved slow to adapt to the new direction and Sir Keith was preoccupied by the need to secure extra funding to bail out crisis-ridden state industries.

After the 1983 election, Mrs Thatcher merged Industry with Trade, which lost aviation and maritime responsibility to the strengthened Department of Transport. A reluctant tinkerer with Government machinery, her reasons for putting the two under the same roof probably had more to do with efficiency (there was duplication in some areas, like export promotion) than with creating a more powerful department.

It also made sense administratively—policy is agreed now within the DTI whereas serious differences were referred previously to a Cabinet committee, or even to the Cabinet, for resolution. Cecil Parkinson, the first DTI Secretary, said at the time: "I see industry and trade as the same seamless robe."

Today, the department's emphasis is on regulation—of the City, through the mechanism to be set up by the Financial Services Bill; of business, through the competition and merger regulations (now under review); of companies, through the companies and insolvency laws; and of telecommunications through Oftel. The department's public watchdog function is carried out through the application of consumer law.

The changes are reflected in the staff breakdown et the DTI. Over 5,000, ont of e total 12,500 work in the regulatory field, primarily an administrative area. This field was swollen recently by the transfer of regulation of radio from the Home Office. The DTI is also a relatively big employer of specialists—there are 675 insolvency experts, for example (545 in 1979), although the largest single category of specialists comprises scientists and engineers. Most of them work in the industrial research establishments.

The growth of the DTI's regulatory activities has its origins mainly in the former Trade Department, and gives rise to the conclusion among Whitehall watchers that trade has become the dominant partner in the merger, making industry look like an increasingly alien culture. Trade's long pedigree (the Board of Trade is 200 years old this year) is steeped in principle of self-regulation and the promotion of free trade. The marriage with industry has thus involved some clash of culture.

When separate, the two departments had shared common services, like economists and statisticians. But there were substantial differences in outlook, although DTI officials now play down as oversimplified a picture of the department of *protection at one end of Victoria* Street (Industry) and the department of liberalisation (Trade) et the other. Today, many of the posts in which an aspiring DTI civil servant can make his mark are in the former Trade area.

The *impression* now is predominantly of a ministry whose rationale lies in the maintenance of an international and domestic framework within which business can compete fairly. The department's Permanent Secretary, Sir Brian Hayes, now sounds every inch a non-interventionist.

"The Department's broad policy for industry, laid down for us by successive secretaries of state, is perfectly clear," he says. "It is to make good deficiencies in market mechanisms, notably by encouraging innovation, and to help markets to work better."

That, at least, is the picture as seen within Whitehall. Politically, the DTI has a very different image. Politicians and the public tend not to get very excited about the impending preparation for a new Gatt round. But they were certainly gripped by the embarrassments which exploded through the normally unruffled layers of Whitehall to become crises in the shape of Westland and BL.

According to critics, the DTI is fundamentally muddled. Mr John Smith, Labour spokesman on trade and industry, whose party will commit itself this autumn to a much stronger DTI, makes the point in relation to regional policy. "Ministers go around asking for credit for what they are spending in the regions. But in the next breath, they want to be congratulated because the government is spending much less in the regions."

Nevertheless, the DTI still spends quite a lot of money, £1.96bn last year, mostly on the industry side. In the regions, the emphasis has switched to selective assistance towards investment which will create jobs. As e result, regional development grant is falling from £208m to £123m in 1988-89 while selective assistance will increase from £89m to £97m.

Support for industry, including research and development, where the DTI is a considerable force, is running at around £400m annually, but support for aerospace will drop substantially over the next three years as receipts from earlier shared contracts increase. Steel no longer receives general subsidies (in line with EEC policy), nor does BL.

The emphasis in research and development is increasingly on collaborative projects like those funded under the Alvey programme (information technology) and European projects identified by Esprit and Eureka. Alvey in particular—heeded by an industry secondee, Mr Brian Oakley—has earned praise from industry, although small companies believe it to be biased towards larger firms.

In Japan, by contrast, there is a long history of partnership between government and industry which allows MITI—one of the most powerful Japanese ministries—to identify and deliver what industry needs. When a senior civil servant retires from MITI at 55, he will likely go to one of the big manufacturing corporations.

There is widespread agreement, even within Tory ranks, that the DTI st the very least needs a clearer focus. Under Norman Tebbit, there was the sppearance of strong purpose; civil servants and businessmen both say thet be understood their difficulties. But while Mr Tebbit preached non-intervention, his junior minister, Mr Baker, zealously disbursed government funds.

Since those days, the DTI's leadership has been weak. The fiasco over BL led to the complete overturn of the department's policy in Cabinet.

The DTI has also had other spectacular mishaps: Mr Parkinson forced to resign after only a few months following a personal scandal; Mr Tebbit away from the department for a long time after the Brighton bombing; Mr Brittan's resignation over Westland; Mr Channon bowled over by BL only a week after taking office.

Perhaps it was significant that when Mr Channon—hardly a prolific speechmaker—went to Cambridge recently to address a meeting of top industrialists, he told them mostly about what other departments were doing for industry. The "climate for enterprise," he mentioned, is a key goal of Treasury's policy; then he talked about education and training, where the DTI has only a subsidiary role. "He hasn't anything new to say," said one industrialist afterwards. "We might be over the worst, but we still feel there is a lack of overall strategy in government policy on industry."

Lombard

The high cost of takeovers

By Clive Wolman

A powerful coalition has been building up against take-over bids which has forced Mr Paul Chennon, Trade and Industry Secretery, to announce e comprebensive review of competition policy.

The coalition includes not only the usual critics — Labour politicians and industrialists worried about their jobs—bnt Bank of England officials and even investment manegers. By failing to give sufficient support to the two most recent megabids, for Woolworth and Standard Chartered, and letting their share prices collepse in the *aftermath*, the investors have lost their pensioo fund clients substantial sums of money.

The main weakness of the critics' case against takeovers is their failure to come up with an elternetive mecbanism for getting rid of an inefficient or incompetent top management team. Indeed the main effect of the Labour Party's policy would be to entrench existing organisational oligarchies, regardless of their performance.

A more constructive proposal *was made last week* by Mr John Kay, director of the Institute for Fiscal Studies, that institutional shareholders and nonexecutive directors should do more to discipline ineffective managers.

Fund managers disagree: they say they lack the time, skill or experience to get involved in boardroom coups. Their particular talent, if any, lies in evaluating the profits potential of e company and buying or selling its shares accordingly. If their actions drive down a company's share price sufficiently to persuade a rival company to make e bid with the aim of schieving s higher return on the assets, they say that represents an efficient division of labour.

Moreover, a policy of promoting boardroom coups would inevitably lead to an upsurge in organisational politics, to shifting alliances, back-scratching, mutual suspicion, and e lack of accountability to shareholders or any other ontside interests. The internal manoeuvrings would probably be just as time-consuming and diverting as a takeover battle and more corrosive of an organisation's culture and values.

The ettrection of e takeover battle is it bas to be fought in the open and decided on the basis of reasonably objective criteria.

There ere three main criticisms of takeover bids. One is that they are driven by the empire-building embitions of the predatory managers wbo end up with unwieldy and inefficient conglomerates. But e growing feature of recent years has been the bid to break up an existing cooglomerate and sell off its businesses separately. In any case, if *share*holders object to the management's embitions, they can always sell the shares and drive down the share price — as they did, for example, to block the merger of Allied Hambro with Charterhouse J. Rothschild.

A more telling response is e study just published by Professor Julian Franks of the London Business School of 1,800 UK corporate ecquisitinns over the lsst 30 years. His conclusion is thst they hsve added to the wealth of the shareholders in both the target company and *acquiring company*.

A second criticism is thet the threet of e takeover forces managers to abandon long-term reseercb and development plans and *focus* oo *boosting* short-term earnings. The argument is unconvincing. Shareholders rightly prefer e poorly-managed company to stop investing in ill-conceived projects end instead to pay out all it esrnings in dividends, so that they can be reinvested more profitably elsewhere. But as the well-managed pharmaceutical companies heve demonstrated, a bigh and rising researcb snd development budget can boost a company's share price.

A more valid criticism of takeover bids *is thet they* are inordinately expensive. The most objectioneble feeture is not the edvertising campaigns, which at least helped to raise public awareness and bave now been stopped by the Takeover Peoel.

Rather, the largest costs are incurred in financing e bid, in perticular tbe underwriting of an equity issue. In this area, there remains substantial scope for grester price competition.

Letters to the Editor

Unemployment and retirement

From Professor R. Layard

Sir,—Michael Prowse (June 25) thinks we should encourage early retirement as e way of reducing unemployment. Unfortunately it would not have this effect, except in the very short run. Instead it would just reduce national output.

If more people retire early, what bappens is this. Stage 1: those who retire are replaced by unemployed people, and unemployment falls. Stage 2: this generates greater wage pressure than otherwise, because the excess supply of labour has been reduced. Stage 3: the Government ects to offset the extra wage pressure by allowing unemployment to revert to its original level. Result: Lower national output and no reduction in unemployment.

The key point is that early retirement does nothing to alter the trade-off between unemployment and inflation. In consequence, given the preferences of whatever Government is in power, it does nothing to reduce unemployment.

These remarks are based on hard evidence on wage behaviour in 19 Organisation for Economic Co-operation and Development countries. This sbows clearly that if the lebour force is lower (and employment the same) wage inflation rises. In fact the evidence shows thet inflation rises just as much when the labour force falls as when employment rises. What affects inflation is unemployment.

So except in the very short run we cannot cut unemployment by cutting the labour force. Instead we should pursue policies which do alter the trade-off between unemployment and inflation—above all, a job guarantee for the long-term unemployed and a tax-based incomes *policy*.

And let us not be tempted either by reductions in hours per worker. They too heve no effect on the trade-off between inflation and employment, *and* merely impverish us ell.

(Professor) Richard Layard,
Centre for Labour Economics,
London School of Economics,
Houghton Street, WC2.

Milk for cheese at a price

From Mr J. Chapman.

Sir,—The article by the pseudonymous Andrew Murray (July 21) paints a wholly misleading picture of the Milk Merkering Board's role in relation to on-farm cheese-making.

Any farmer wishing to make cheese from his own milk is at liberty to do so. Meoy such farms already exist, and there is no question of their being forced to close down, either by the Board or by the EEC.

Contrary to the impression given in the article, the MMB is most anxious to increase the availability of milk for cheese-making: but, as a farmer-owned co-operative, it has a responsibility to obtain the highest price it can for the milk it sells on behalf of its producers. That is why we have been negotiating with the dairy trade for some time — and have finally asked Mr John Silkin to arbitrate — on the question of the price to be paid for milk for Cheddar cheese.

"Mr Murray" will be pleased to know that our objective is to ensure thet anyone *willing* to pay the appropriate price will be assured that the milk they want is available.

John Chapman,
Milk Marketing Board,
Thames Ditton, Surrey.

South African situation

From Brigadier A. Cowgill

Sir,—The rather hysterical letter of Commander Innes-Hamilton (July 17) is a aad indication of how well-meaning but naive people can be totally hoodwinked as to the realities of the situation in South Africa by what is a very calculated and deliberate campaign to create e black one-party dictatorship.

For the Commander to talk about the effect of the present regime being as evil as Hitler's and "doubly monstrous" is rubbish. If this were so why are millions of blacks from neighbouring countries working in South Africa and more *would come over if they* were permitted? The blacks in South Africa in general are far better off economically and live in more peace than say those in Uganda and other black dictatorships. There is no relation between the current elected South African government and Hitler's dictatorship — the only kind of connection with events in South Africa are the ANC intimidating blacks who do not agree with them through their petrol necklaces.

Incidentally, I do not know what he means about "the tremendous progress of Zimbabwe since independence." If Zimbabwe does not mend its ways and, for example, stops wasting money on unnecessary prestige projects it may well be bankrupt in the not too distant future, like most African states. Before independence, these states were generally prosprous, well-run, peaceful countries — without the current starvation, suffering and violence and what, in many cases, are very nasty regimes indeed.

The trouble with people like Commander Hamilton is thet they have swallowed whole the arguments of those who wisb to see a communist take-over in South Africa and who very carefully compare the South African situation with Western Europe, rather than with the remainder of Africa, which is the true comparison. This comparison of like with like is also disregarded by supposedly non-political organisations.

The Prime Minister is correct — as is Chief Buthelezi, leader of 6m Zulus — in saying that people who live comfortebly in this country should be very wary of promoting ections for self-indulgent reasons which will cause immense suffering to vast numbers of people in other lands for whom they bave no responsibility whatsoever.

South Africa has a very difficult problem to solve in being at the juncture of Western civilisation and Third World backwardness and needs all the support we can give to progress peacefully in the interests of all the races.

(Brigadier) Anthony Cowgill,
Highfield,
Longridge, Sheepscombe,
Stroud, Glos.

Human rights compliance

From Mr J. Sharpe

Sir,—While it is not for me to comment on the substance of the article "Europe's role in UK law," which appeared on July 11 following the judgment of the European Court of Human Rights in the case of Lithgow and Others, I hope you will allow me to draw attention to the following point.

It is true that, under Article 46 of the European Convention on Human Rights, recognition of the court's jurisdiction is voluntary. States, bowever, which, like the United Kingdom, heve accepted thet jurisdiction are bound by the terms of Articles 52, 53 and 54 which provide that the judgment of the court shall be final, that the contracting parties undertake to abide by the decision of the court in any case to which they are parties and that the judgment of the court shall be transmitted to the committee of Ministers of the Council of Europe which shall supervise its execution. Accordingly, as a matter of international law end irrespective of the status of the convention in United Kingdom domestic law, it is not strictly correct to say, as does the article in question, thet "compliance with the Strasbourg Court of Human Rights remains voluntary."

Jonathan L. Sharpe,
European Court of Human Rights,
BP 431,
R6-67 006 Strasbourg.

Too noisy travels

From Mr R. Street

Sir,—I see Mr Ledingham (July 18) states that I am "somewhat intolerant," when I wisb to see in-flight films and canned music banned on airliners.

It seems that in view of Mr Ledingham's presumption that some airlines pley canned music to tranquilise the passengers prior to take-off, he would then not object to being bit over the bead by a stewardess to further tranquilise bim if he became a little bit restive. By his tenets be would then have no rights whetsoever to object to this and would presumebly class bimself as being intolerant if be did object.

What Mr Ledingbam fails to appreciate is the sheer overall arrogance of airlines and others in imposing their wills. We already get plastic food. Seemingly we also bave to tolerate their in-flight "entertainment." To make mstters worse one is *made to feel e social pariah if* one doesn't want this and keeps the blind up and curtain undrawn.

If Mr Ledingham is that tolerant, presumably he would not mind transistor radios being played outside his bome all day, car doors being banged outside his front door lete at night and aircraft flying low over his property at all bours.

I don't think Mr Ledingham understands the principle of my argument—and that is that we are increasingly becoming victims of pnblic and semi-public bodies of all sorts which make it their business to subject us to all sorts of pollution.

Another example is the Post Office which displays screened adverts with sound to people captive in counter queues. There ere many others.

What is needed is an anti-pollution *law, which* would make it a criminal offence to impose noise on others, whether by transistor radios, piped music, late night parties or high decibel *motorbikes*. It should also include as criminals, people who pour oil in ponds and down dreins, let or do nothing to prevent their pets wandering and excreting over ell properties but their own and the droppers of litter in our parks, towns and countryside. Amongst others.

Robert T. Street,
109 Oak Tree Road,
Knaphill,
Woking, Surrey.

FINANCIAL TIMES

Thursday July 24 1986

Ericsson wins third US digital switch agreement

By Kevin Done in Stockholm and Jane Rippeteau in London

L.M. ERICSSON, the Swedish telecommunications and electronics group, has landed a third, important agreement to supply an advanced digital telephone switch in the highly competitive US market.

Nynex, the Bell regional holding company that, with New York Telephone and New England Telephone, serves 13 per cent of the US population, has signed a letter of intent with Ericsson's US subsidiary for an Axe switch that will be tested in the Manhattan network.

If tests are successful, the deal could result in sales for Ericsson by 1988.

At the same time, Ericsson warned yesterday that heavy investments it is now making in product development and marketing, especially in the US and UK, would have a serious impact on the company's short-term financial performance.

The mounting investment "will be burdensome, and have an unfavourable influence on earnings," said Mr Bjorn Svedberg, Ericsson's president. Some market areas in public telecommunications and information systems have "developed more slowly than expected," he added.

Ericsson's share price has fallen sharply in recent days amid speculation that its six-month report, due out next month, will prove a serious setback in the company's struggle to recover from its sharp drop in profits in 1984 and 1985. Profits were nearly halved last year, and the company cut its workforce in information systems by 4,000.

Further restructuring may be necessary, even as heavy product development spending continues, it says. The Axe switch, for instance, is of a type costing about $1bn to develop and requiring some $100m to $200m annually to update.

Ericsson needs sales in the US market, and its fortunes seem on the rise.

"We are particularly intrigued by the large capacity of the switch," says Mr Cas Skrzypczak, project director and vice president for science and technology at Nynex. He said that competing systems supplied by market leaders American Telephone & Telegraph and Northern Telecom have only half as much capacity for "busy hours," or periods of high usage.

Nynex will also examine the Ericsson machine for its suitability in a so-called intelligent network that the Bell companies are now developing. These would allow special telephone features to follow a subscriber to any phone anywhere because of a central data base and central control.

"We think the structure of the Ericsson software is particularly well suited," Mr Skrzypczak said.

Ericsson is neck-and-neck with Siemens of West Germany in a race to become the third equipment supplier to the Bell companies, after AT&T and Northern Telecom. The Bell companies, deregulated by the 1984 break-up of AT&T, are now free to buy equipment elsewhere, and they want alternative suppliers to ensure competition on price and performance for the some $4bn they spend annually on central office switches.

Siemens also has a field trial with Nynex, but it is more limited, according to Mr Skrzypczak. Siemens has tests with a total of four Bell companies, and Ericsson with three. But Ericsson has also already completed a product review by Bell Communications Research, necessary before a switch can be sold in the US.

Ericsson has sold the Axe switch in 84 countries, including the UK. In the last few months Norway has ordered switches handling the equivalent of over 100,000 subscriber lines because of delays by ITT in delivering its competing System 12 machine, according to an executive at the Norwegian Telecommunications Administration.

Farm export subsidies boosted by US Senate

BY NANCY DUNNE IN WASHINGTON

PRESSURE on the US administration to offer subsidies on farm exports to the Soviet Union and other Communist countries increased sharply yesterday, after the Senate ordered it to expand its official Export Enhancement Programme.

The move came in a surprise amendment attached to a bill reauthorising the US Export-Import Bank, which the Senate passed late on Tuesday. The legislation will now go to a Senate-House of Representatives conference, where it is expected that the subsidies provision will gain approval.

The export enhancement programme, which provides Government-owned grain bonuses to purchasers of US commodities has been aimed at markets, mostly in north Africa and the Middle East, where US officials believe the EEC has made gains through the use of export subsidies.

The administration has been resisting congressional pressure to offer subsidies to the Soviet Union, China and other communist countries on political grounds, but several Republican senators, led by Mr Robert Dole, the majority leader, have argued that a boost of farm exports may be necessary if the party is to hold on to its three vote majority in the autumn elections.

Senator Dole has insisted that the US urgently needs to reduce its massive grain surplus, and that US exporters cannot be competitive in the Soviet market without subsidies. The legislation would only require bonuses sales until the end of September, when new, lower price supports would come into effect.

The Senate bill also grants the President the $300m "war-chest" he requested to combat foreign subsidies of export financing. The provision was omitted from the House legislation, where approval was given to another administration scheme which would allow Eximbank to buy down, or subsidise, the interest rates on some of its loans.

Under the House bill, Eximbank's direct loan programmes cannot exceed a $1.8bn ceiling, but that limit is bound to be reduced in coming appropriation bills.

While the Senate bill approves the sale of subsidised farm exports, both bills would limit Eximbank financing of manufactured exports to "Marxist-Leninist" countries. The House named 13 new countries to which the export financing agency cannot lend without a presidential waiver. They include Angola, Afghanistan, Ethiopia, Mozambique, Nicaragua, South Yemen and Surinam.

The Senate bill orders the bank to do no new lending to Angola until Cuban troops have left the country. It reauthorises the bank for only two years, while the House bill gives it a 10-year lease on life. The differences between the two bonuses will now be resolved in conference.

● Eximbank yesterday offered up to $1bn in export credit insurance and guarantees backing the sale of US goods to Mexico. Some of the support had previously been approved and $700m of the package is a renewal of short and medium-term insurance coverage for sales to Petroleos Mexicanos (Pemex), the Government's oil, gas and petrochemical company.

EEC butter mountain, Page 26

European assembly by Toyota unlikely for 3 years

By Ian Rodger in Nagoya

TOYOTA, Japan's largest car maker and third largest in the world after General Motors and Ford of the US, is unlikely to build an assembly plant in Europe for at least another three years.

Mr Junichi Sakurai, a senior spokesman for Toyota, said the company would be fully occupied with three new foreign plant projects until 1988: the group is building factories in the US, Canada and Taiwan.

Toyota has been the most cautious of the leading Japanese car makers in setting up operations abroad. Even in Japan, it has been conservative, concentrating all its manufacturing in the Nagoya area.

It is understood that in the past the group has made several feasibility studies with a view to establishing the best site for a European plant. It also came close to taking a shareholding in the state-owned Seat cars group from the Spanish Government, but backed away at the last moment.

Toyota has recently been in discussions with the Spanish Government about some kind of relationship with Enasa, the state-owned Pegaso truck and bus producer, but these also seem likely to prove fruitless.

Last year, Toyota sold 274,580 cars in Western Europe for a 2.6 per cent market share, up from 228,500 and a 2.2 per cent share in 1984.

The group started strongly in Europe this year, with first-half sales up from 120,036 to 151,449 and its market penetration up from 2.5 per cent to 2.9 per cent.

It is now neck-and-neck with its arch-rival, Nissan, second-largest of the Japanese vehicle producers, in Western European car sales and could even overtake Nissan this year.

Although Toyota has a strong position in some smaller European countries – for example, its market leader in Ireland with 17.7 per cent last year and achieved over 12 per cent in both Denmark and Finland and nearly 11 per cent in Norway – West Germany provides the most volume, 61,182 cars in 1985.

That gave Toyota a respectable 3.6 per cent of Western Europe's biggest single market compared with 1.9 per cent (34,722 registrations) in the UK.

Nissan, which sold 316,614 cars in Western Europe in 1985, has just brought its new assembly plant in the UK on stream and, while this is small-scale at the moment (assembling 24,000 cars a year from Japanese kits), it could be expanded to full-scale manufacture at the rate of 100,000 a year in the 1990s.

Nissan also owns 86 per cent of Motor Iberica, the Spanish commercial vehicle manufacturer. The group's request to extend output to cars have been turned down by the Spanish Government on the grounds that the country already has too many car producers.

THE LEX COLUMN

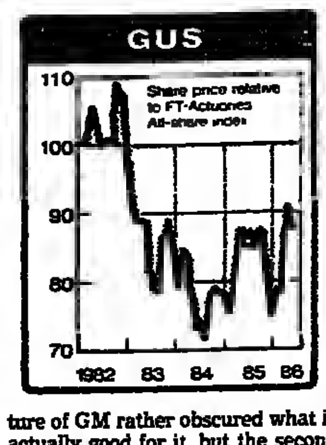
The same, only more so

For years Great Universal Stores has been the safe and solid core holding that allowed fund managers to sleep easy at night – and during the day too. Now good old Gussies is enjoying one of its less dull patches with profits for the year to end-March up 14.5 per cent to £290.3m, a percentage rise at the top end of Gus's usual range of increases. After an interim gain of 12 per cent, the second half was almost exciting.

While Gus disdains the vulgarity of specifying profits by division, the mail order business has clearly had a good year, with both volume and margin increases in the UK at least. Spending several million pounds on warehouses new and old seems to have improved efficiency. The group of activities headed by finance looks to have increased after tax profits by a third or so, although strict, or even rough, comparisons are difficult. The famous cash pile, undented by Gus'a capital spending, has been hard at work.

The only major disappointment has been the retail stores where profits were lower. Gus'a uncharacteristic spasm of activity since the year-end – with mergers set up for most of the UK chains – is the best indication of a more interesting future. It is at least a recognition by management of its comparative retailing deficiencies. If Sir Philip "entreprenurial flair" Harris can keep up his enthusiasm, and if Combined English Stores can match it, Gus should be much better off for both arrangements.

With pre-tax profits likely to reach £330m this year, the prospective multiple around 12.2 on the shares at 10¼ up ¼ yesterday, is still at a somewhat greater discount to the sector than appropriate. It may take 10 years to answer the questions of whether Sir Philip is heir to the Gus throne or if Gus and Harris Queensway will merge. And the enfranchisement of the 'A' shares is another chestnut. But Gus investors are nothing if not patient.



US economy

It is no longer as clear as it used to be that what is good for General Motors is good for the US. Not only has the new multifold share structure of GM rather obscured what is actually good for it, but the second quarter has shown oil refiners doing really well just when GM (and Chrysler) have been going off the boil; it is a strange world in which cheap motor fuel and falling interest rates exist at the same time as mixed results from Detroit.

This sits a bit oddly with Mr Volcker's observation thet interest rate relaxation was already doing quite a lot for the sectors that respond to interest rate cuts, while the depressed parts of the economy were those thet cheap money does nothing to help. But the entire picture that he painted in his testimony yesterday was that of a man much more worried by sluggish output than by the inflation which might follow further cuts in the discount rate. The next few rounds of loss-leading auto-loans could be worth waiting for.

Berkeley Technology

After a shaky start last year – investors who baled out after the first six months could have lost half their money – Berkeley Technology found its form with a vengeance. And its return to the London market for a rights issue underlines the fact that the US venture capital industry is no longer a disaster area. Indeed, the reopening of the primary market in technology stocks has permitted Berkeley to seize capital gains on its own development portfolio at the same time as it has grabbed more funds to manage, and expanded its fee income.

It is largely in pursuit of fee income that Berkeley is now looking for £29.75m. Having built up a client base – both investors and "investees" count here – Berkeley is looking for ways of exploiting it more thoroughly. The idea is to figure as a broker of the loan finance needed by its corporate clients, and supplier of other consultancy services If this were the whole story, it would not be particularly clear why Berkeley needed so much additional capital – unless it were to buy extra life insurance for the crucial new executives, on the lines of the $3m policy that already protects the chairman. But Berkeley is also looking to ride its luck in the venture market by taking a few controlling stakes: and the enlarged risks may well use all the equity they can get, over the next venture capital cycle.

Takeover gains

The academic computer has analysed 2,000 takeovers in the UK quoted sector spanning the past 30 years, rumbled and pronounced. It transpires that the bid premiums paid by acquiring companies are higher when the bidding process is competitive, with more than one suitor. It further emerges that the subsequent performance of the share price of acquiring companies is stronger when they have won with only a single bid.

But the results have generated some practical advice, which the merchant banks might draw to the attention of their more aggressive clients. This is that there may be a role for acquirers in timing their bids to follow favourable movements in their own share prices. Surely, institutions would never fall for such a transparent ruse.

The chief claim of the report, which does genuinely surprise, being cootrary to past research and common prejudice, is that the share prices of acquiring companies actually benefit from the takeover process. But out of three theoretical measures, the acqurers' shares show only small relative gains in two, and a thumping negative return in the other. Morgan Grenfell will have to wait a bit longer before it can rubber stamp its every offer document with an academic seal of approval.

Paris approves plan for privatisation law

BY PAUL BETTS IN PARIS

THE FRENCH Government approved yesterday draft legislation to privatise the country's main state-owned industrial, banking and insurance concerns and named the chairman of 24 of these groups.

Mr Jacques Chirac, the Prime Minister, plans to rush the new legislation through parliament by turning it into an issue of confidence and thus guillotining debate. The Government's privatisation bill will be submitted to the National Assembly today before going to the Senate. The parliamentary adoption of the law is expected to be completed within the next eight days, Mr André Rossinot, the Minister for Parliamentary Affairs, said yesterday.

Mr Chirac was forced to put his privatisation programme through parliament after President François Mitterrand refused last week to sign the decree enabling the Government to go ahead with its ambitious project. The bill approved by the Cabinet yesterday replaces the decree which the President refused to sign on the grounds that it did not provide sufficient guarantees to safeguard national interests.

But Mr Chirac claimed at a press conference this week that French interests were protected by the privatisation programme which, among other measures, limits to 15 per cent foreign share ownership in the 65 groups to be privatised.

However, President Mitterrand yesterday accepted the Government's list of candidates to head 24 of the country's largest state-owned industrial groups and insurance companies due to be privatised. Chairmen of the remaining groups will be appointed in coming weeks.

The Government replaced 12 out of the 24 heads of state groups nominated yesterday. The biggest surprise was the replacement of Mr Georges Pebereau, chairman of the CGE telecommunications and engineering group, who recently engineered major deals with ITT and AT&T, by Pierre Suard, the vice president of CGE's telecommunication subsidiary Alcatel.

Mr Renaud de la Geniere, former governor of the Banque de France, was named to head the Suez financial group, while Mr Jacques Mayoux, chairman of Société Générale, was replaced by Mr Marc Vienot, the bank's managing director.

But the Government also kept on several Socialist-appointed chairmen of state concerns including Mr Alain Gomez of Thomson, the defence and electronics group, and Mr René Thomas, chairman of Banque Nationale de Paris, the country's biggest bank.

Expert to quit UK Treasury

By Hazel Duffy in London

THE BRITISH Treasury is losing Mr Gerry Grimstone, a key figure in the Government's privatisation programme, who is expected to take up a job in the private sector in September.

Mr Grimstone, one of a team of three senior civil servants handling privatisation, was in charge of general policy and had been assigned to conduct the sale of the water authorities before the Government made its decision not to go ahead before the next general election.

His departure raises again the problem being experienced by the Civil Service in retaining some of its most able officials in the face of higher salaries available in the private sector, and particularly in the City of London. Civil servants in the Treasury, and the Department of Trade and Industry, have increasing contacts with the private sector as a result of privatisation and setting up the new regulatory framework for the financial services.

The City, meanwhile, is anxiously tapping the Civil Service in its search for talent, adding a new dimension to a difficulty which previously had been experienced mainly in the Ministry of Defence.

Promotion bottlenecks in the Civil Serivce, caused by cutbacks in all grades except specialists, have made the private sector increasingly attractive.

Executives forecast jobless rise

Continued from Page 1

48 per cent in West Germany and falling to 9 per cent in the UK.

The poll confirms trends towards contracting out of work by big corporations – 55 per cent said they would do more of this over the next five years – and towards increased flexibility – 34 per cent said they would cut demarcation lines and compress job classifications over the same period. Some 64 per cent of all companies already use part-time workers, but only 3 percent expect to use more while 7 per cent will use less.

Women are expected to continue to take over jobs traditionally done by men: some 42 per cent of all employers expect to take on more women.

● In Work, the Way Ahead, Section III in today's edition, the article on page 3 continues on page 24 and the article on page 15 continues on Page 16, and not as stated.

Howe tells SA that apartheid must end

Continued from Page 1

mission of the Commonwealth Eminent Persons' Group (EPG).

Meanwhile, there are no indications that any of the black opposition leaders who have refused to see Sir Geoffrey during his stay in South Africa, will change their minds. They include Mr Mandela, the Rev Desmond Tutu, Anglican Bishop of Johannesburg and Dr Allan Boesak, the anti-apartheid church leader.

However, the British delegation is stressing thet the door remains open for such meetings and has hinted that Sir Geoffrey might still obtain permission to see Mr Mandela in Pollsmoor Prison near Cape Town.

Mr Oliver Tambo, the ANC leader who is on holiday in East Germany, has also been invited to meet Sir Geoffrey. He has replied that he would be "honoured" to do so, but not in the context of the Foreign Secretary's current mission and not before the mini-Commonwealth summit, due to take place in London from August 2 to August 4.

● **David Brindle in London writes:** The TUC called yesterday for trade union leaders from Britain, the remainder of Europe and the Commonwealth to lead a "rolling vigil" outside the Commonwealth summit in London next month to press for economic sanctions against South Africa.

The TUC general council yesterday approved a series of measures for unions to take on the South Africa issue. These stop short of industrial action over trade, although unions are exhorted to bring the "strongest pressure possible against economic links with South Africa, through whatever means that can be devised and delivered that are likely to be most effective."

Brazil plans tight squeeze on consumers

Continued from Page 1

ary pressures building up from a consumer boom which, in May alone, saw sales rise by some 12.5 per cent on the previous month. In some sectors – notably motors – demand has pushed up prices for secondhand goods above those listed for new articles.

In part, this surge in spending was fuelled by a flat, nationwide 8 per cent wage rise imposed by the Cruzado Plan, a flight from savings; and the price freeze. The new programme makes no provision for wage rises, though workers remain entitled to negotiate freely.

Industry has recently been stepping up pressure on the Government to relax the price freeze which the powerful Sao Paulo Industry Federation, Fiesp, claims is creating bottlenecks, inhibiting contracting and stifling growth.

However, the Government appears determined to maintain the freeze, threatening legal action against speculators. To help do so, it has relaxed its controls on imports, particularly of food, following shortages of meat and milk.

Mr Dilson Funaro, the Finance Minister, said before yesterday's announcement that the objective of the new package was to maintain growth, expected this year to be between 6 and 8 per cent.

The plan, through the reconstruction fund, intends to raise new resources to finance welfare programmes, agrarian reform, agriculture and infrastructure projects for the energy, steel and petroleum sectors.

It is also believed that some of the money will be used to reduce the debts of the giant public sector companies, which account for more than half of Brazil's GDP.

Mexico opens markets

Continued from Page 1

cise lower bound tariffs for a wide variety of imports.

A bound tariff guarantees that no rate higher than that specified will be levied. If the guarantee is broken, other countries have the right to claim compensation under Gatt rules.

Exceptions to the bound tariffs will be allowed for nine development sectors, mostly in agriculture but also covering automobiles and pharmaceuticals. The incidence of these exceptions will diminish over the next 30 months and they will not continue for more than eight years.

Mexico will replace its import permit system, which still covers 35 per cent of imports, with tariffs. Foreign traders have complained that the system is exercised at the whim of the authorities and is a serious hindrance to trade.

The official pricing system, under which government authorities fix import prices which then form the basis for the duties, is to be eliminated by the end of 1987. Mexico claims it now covers no more than 8.5 per cent of imports.

Some 60 per cent of Mexico's trade is still with the US. One advantage the Mexicans see in Gatt membership is that trade disputes with the US can now be taken to that multinational forum to be settled.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	28	84	Dubrovnik				Malta				Rhodes	S	29	84
Algiers	S	40	104	Edinburgh	C	12	54	Manchester	R	13	55	Rio de J'o	S	24	75
Amsterdam	C	17	63	Faro	S	23	73	Manila	R	33	91	Rome	S	26	75
Athens	S	33	91	Florence	S	29	84	Melbourne	F	16	61	Salzburg			
Bahrain	S	42	108	Frankfurt	R	19	66	Mexico City	S	25	77	San Francisco	C	21	70
Bangkok	R	30	86	Funchal	F	22	72	Miami	R	31	88	Seoul	R	24	75
Barcelona	F	25	77	Geneva	F	28	82	Milan	F	27	81	Singapore	R	31	88
Beirut				Gibraltar	S	26	79	Montreal	S	24	75	Stockholm	C	20	68
Belfast	C	14	57	Glasgow	C	15	59	Moscow	F	22	72	Strasbourg	S	23	73
Belgrade	F	26	79	Guernsey	F	15	59	Munich	F	22	72	Sydney	F	23	73
Berlin	C	19	66	Helsinki	S	21	70	Nairobi	C	22	72	Taipei	S	35	95
Biarritz	C	22	72	H Kong	F	31	88	Naples	F	28	82	Tangier	F	22	72
Blackpool	C	28	82	Innsbruck				Nassau	S	33	91	Tel Aviv	S	30	86
Bordeaux	F	24	75	Inverness	C	13	55	New Delhi	F	34	93	Tenerife	S	25	77
Brussels	F	18	64	Islamabad	C	34	93	New York	S	31	88	Tokyo	S	29	84
Budapest	S	27	81	Istanbul	S	31	88	Nice	S	25	77	Toronto	S	25	77
B Aires	S	18	61	Jakarta	S	31	88	Nicosia	S	40	104	Tunis	S	32	90
Cairo	S	35	95	Jersey	F	17	63	Oporto	F	22	72	Valencia	F	30	86
Cape Town	C	15	59	Jo'burg	S	17	63	Oslo	F	18	64	Venice	S	24	75
Caracas	S	28	82	Lima	C	18	64	Paris	F	22	72	Vienna	S	28	82
Casablanca	C	23	73	Lisbon	C	22	72	Peking	C	29	84	Warsaw	S	25	77
Chicago	S	19	66	London	C	17	63	Prague	S	28	82	Washington	C	25	77
Cologne				Los Angeles	S	25	77	Reykjavik	R	11	52	Zurich	F	25	77
Copenhagen	F	18	64	Luxembourg	R	16	61								
Corfu	S	31	88	Madrid	S	27	81								
Dallas				Majorca	S	33	91								
Dublin	C	13	55	Malaga	S	30	88								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday July 24 1986

CHRYSLER EARNINGS DECLINE

General Motors' profits fall 18%

BY ADRIAN DICKS IN NEW YORK

GENERAL MOTORS, the world's biggest motor manufacturer which enjoyed just under 60 per cent of the US market in 1985, reported a 18.5 per cent drop in second-quarter net profits to $978m from $1.15bn earned in the same period last year.

Sales during the quarter rose 10 per cent to $27.6bn from $25.1bn, while earnings attributable to common stock fell to $2.81 a share from $3.58.

Earnings on the two special classes of GM stock created to help fund the company's acquisitions of electronic data systems (class E) and Hughes Aircraft (class H), and based on the two subsidiaries' earnings, both did considerably better. Earnings per class E share rose to 51 cents from 35 cents n year earlier and those per class H share to 78 cents from a pro forma 48 cents.

GM shares were marked down by around $1 in early dealings on the strength of newspaper reports that the company was privately predicting a third-quarter loss. They traded at about $73¾, down over $1 from yesterday's close, on publications of the second-quarter figures, which had been broadly anticipated by analysis.

Mr Roger Smith, GM chairman, said that although factory sales of vehicles worldwide had been held to within 2 per cent of 1985 levels, the implementation of new manufacturing technology, extensive marketing campaigns in the US and lower interest income had all hit earnings.

For the first six months, GM earned $2.04bn ($5.92 per common share) on sales of $54.4bn, against $2.23bn ($6.90) on sales of $49.2bn in the first half of 1985. Unit sales of vehicles in the US and Canada declined to 3.67m in the first half from 3.8m a year earlier, though there was n slight increase to 1.06 from 1.02m in those made by GM elsewhere.

Partially offsetting factors were improved manufacturing efficiencies, record earnings reported by General Motors Acceptance Corporation, and the favourable effects of actuarial assumptions which have had the effect of increasing the yield on investments of GM pension schemes.

GM HUGHES Electronics, the company in which General Motors last year combined its newly acquired Hughes Aircraft with its Delco Electronics interests, has reported a brisk gain in second-quarter sales and earnings compared to pro forma figures prepared for 1985.

GMHE earned $154m on revenues of $2.8bn compared with pro forma profits of $92m on revenues of $2.4bn. Earnings per share attributable to GM Class H stock (the special category created to help fund the acquisition of Hughes and based on GMHE's earnings) were 76 cents for the quarter against a pro forma 46 cents last year.

GMHE said the increase in sales occurred across the range of the company's activities, reflecting the continued strength of its military electronics business as well as the increasing electronic content of GM motor vehicles.

The 1986 improvement also reflected in part the absence of special factors which weighed on 1985 second-quarter performance, notably cost overruns on Hughes's Advanced Medium Range Air-to-Air Missile programme, commercial satellite development expenditures and outlay on better quality control at manufacturing plants.

Chrysler, the third largest US motor manufacturer, also announced lower sales and earnings for the second quarter. Net earnings for the period were $488.2m, down 18 per cent from the previous year's $596.4m, while net earnings per share slipped to $3.29 from $3.35. Sales in the period declined 4.6 per cent to $5.7bn from $5.97bn.

Mr Lee Iacocca, the chairman, nonetheless described the second-quarter performance in glowing terms. Although pre-tax operating earnings included a $144.3m gain from the company's sale of its equity interest in Peugeot, Mr Iacocca argued that the 1986 second quarter was the third best in the company's history.

Chrysler shares eased back by $⅜ to $37 in early trading on the New York Stock Exchange after the results were published.

For the first six months, Chrysler's net earnings were $845m ($5.64 a share) on sales of $11.48bn, against earnings of $1.1bn ($8.13 a share) on sales of $11.38bn in the first half of 1985.

Mr Iacocca said the results "underscore the sustained earning power Chrysler has put in place. This year has seen n new onslaught of imports, yet we have held on to our car market share gains in the US."

Sales of the Omni and Horizon models bad risen especially strongly, helping Chrysler to a 12.7 per cent share of the sub-compact market in the second quarter – double its comparable position a year earlier.

Chrysler's overall car market share was 11.5 per cent in the quarter.

Hutton in red after trading upset

By Our New York Staff

E. F. HUTTON, the Wall Street brokerage firm the performance of which has been marred by a series of management mishaps in the last couple of years, yesterday reported a $4.7m second-quarter loss following heavy trading losses in May.

At the same time, Salomon Inc's earnings fell by 17.8 per cent to $117m mainly because it also suffered from heavy bond trading losses in May.

Reports that Salomon Brothers, a leading trader in the US financial markets, had barely made any money in May have been circulating on Wall Street for some weeks and analysts had already downgraded their earnings forecasts.

Consequently, yesterday'a news that Salomon, the parent company, had earned 78 cents a share in the second quarter compared with 99 cents n share a year ago came as little surprise. Salomon's shares slipped by $¼ to $44 in early trading yesterday.

Mr John Gutfreund, Salomon's chief executive, said yesterday the group had earned $307m or $2.05 per share in the first half of 1986 compared with $286m or $1.95 per share in the same period of last year, which was a record period. For the six months, Salomon Brothers, the investment banking operation, increased its pre-tax earnings by 14 per cent to $436m, while the profits of Phibro Energy fell by $33m to $15m.

While Salomon's second-quarter earnings decline did not surprise analysts, Hutton's latest loss of 15 cents a share sent its shares $⅝ lower to $33¾. In the same period last year it earned $25.1m or 94 cents a share.

Hutton's net income in the first half of 1986 totalled $35.4m, or $1.12 per share, compared with $48.2m, or $1.84 per share, last year. Revenues rose by $0.2bn to $1.7bn during the period.

Higher margins ease Exxon's second-quarter 6% profits fall

BY OUR FINANCIAL STAFF

EXXON, the world's largest oil company, yesterday reported n 6 per cent decline in second-quarter profits before special items, reflecting lower oil prices – cushioned by a slower decline in product and chemical prices.

Operating net income declined from $1.27bn or $1.67 n share to $1.14bn or $1.57, while revenues dropped from $22.9bn to $18bn. The latest profits figure excludes special charges of $22m, while the 1985 period excludes a $545m provision for the adverse court ruling related to Hawkins field pricing.

Final net earnings, therefore, emerge at $1.11bn or $1.55 a share compared with $745m or 99 cents a year ago. For the first six months, operating net earnings were $3.07bn or $4.24 a share compared with $2.55bn or $3.32 a share. Revenues fell from $46.2bn to $40.2bn.

The company said lower crude oil prices reduced exploration and production earnings, especially in the US, although the impact abroad was blunted by the declining value of the US dollar.

Crude prices in the latest quarter averaged about 40 per cent lower than in the first quarter and 55 per cent below the second quarter of last year.

However, the company noted: "Petroleum product and chemicals prices have fallen less rapidly than crude costs. This fact, combined with the weakening of the dollar, has had a significant positive impact on margins in refining, marketing and chemicals."

Exxon said the improved margins had cushioned the negative earnings impact of lower crude oil prices. "Compared to the first quarter, however, second-quarter margins trended downward, reflecting the weak fundamentals of the current petroleum marketplace."

Second-quarter capital and exploration spending totalled $1.91bn, down 22 per cent from the year earlier quarter and 13 per cent from the first three months of 1986. This reflected "management actions in respect to the changed petroleum business."

● Lower oil prices and declining petroleum products returns bit sharply into first-half earnings of Imperial Oil (Exxon), and a 21 per cent increase in crude oil production was only a partial offset, writes **Robert Gibbens in Montreal.**

First-half net was C$189m (US$137m) or C$1.18 a share, down from C$282m or C$1.75 a year earlier, on revenues of C$3.71bn against C$4.41bn.

The latest period excludes C$155m in special charges covering staff reductions and restructuring. Resources operations earned C$110m against C$203m. Capital spending in the first half was C$332m and for the year will be about C$700m.

● **Diamond Shamrock**, the diversified US energy group, reported second-quarter operating earnings of $25.5m, or 17 cents a share, against an operating loss last time of $859.4m. Revenues decreased from $834.8m to $644.3m.

This reduced the first-half loss from continuing operations to $6m from $622.4m. Revenues fell to $1.39bn from $1.8bn.

● **Ashland Oil**, the biggest independent refiner in the US, raised profits in the second quarter to $80m, or $2.38, from $60m or $1.79 last time. Revenues, however, eased to $1.8bn from $2.1bn.

The increase took profits for the first half to $168m, or $4.93, against $100m, or $2.74, for the 1985 first-half. Revenues slipped to $5.6bn from $6bn.

● **TransCanada Pipelines**, the gas and oil group, suffered n setback in the second quarter. Net profits retreated to $30.8m, or 31 cents, from $59.7m, or 62 cents. Revenues were $989.1m, against $1.13bn.

At the six-month stage profits were $71m, or 72 cents, down sharply from $122m, or $1.27 last time. Revenues were flat at $2.27bn, against $2.4bn.

The company said that because of the continuing deterioration of oil prices, a write-down of its oil and gas properties as at December 31 1986, would be required. The amount would be subject to several variables, including oil and gas prices, the determination of reserves, the assessment of values assigned to unproved properties and the amount of interest bearing obligations related to oil and gas activities.

Oklahoma bank warns on payout after loss

BY OUR NEW YORK STAFF

BANKS OF Mid-America, the biggest banking group in the troubled oil producing state of Oklahoma, reported n $28.9m second-quarter loss and warned that it might be forced to stop paying dividends on its preferred shares if there is no significant improvement in its operating earnings.

The loss is the latest sign of the serious problems facing banks in one of the states which has been hardest hit by the slump in world oil prices.

Earlier this month, the First National Bank and Trust Company of Oklahoma City closed, marking the second biggest bank failure in US history. Last week BancOklahoma Corporation, the second biggest bank in the state, reported a $50.8m loss and said that it was having talks with US bank regulators because its capital ratios had dropped below the regulatory minima.

Banks of Mid-America, the parent of Liberty National Bank & Trust Company of Oklahoma City and the First National Bank and Trust Company of Tulsa, suspended payment of cash dividends oo its ordinary shares earlier this year.

Safeway exploring takeover alternatives

By Louise Kehoe in San Francisco

SAFEWAY Stores, the big US supermarket chain facing a hostile takeover bid from the Dart Group of Maryland, is exploring alternatives to a takeover and has, at the same time, authorised its board to hold discussions with Dart.

Safeway's non-executive directors rejected Dart's first bid of $58 per share late on Tuesday as "inadequate." However, they added they needed more time to evaluate the latest bid of $64 per share. Unlike the first offer, Dart's $64 per share bid is contingent upon the approval of Safeway's board.

The board said it had already had a meeting with an unnamed third party to discuss a leveraged management buy-out.

It was also considering selling certain assets and repurchasing about 30 per cent of the company's stock, leaving Safeway a smaller but still independent public company.

Industry analysts said, however, that the $64 per share bid, which valued Safeway at $3.9bn, was significantly higher than expected, and that it might be difficult for Safeway to justify either of its alternative plans. Even if Safeway's board did approve the $64 bid, the company would be forced to sell substantial assets in order to service the huge debt.

Both Dart Group bids are contingent upon Dart obtaining financing and Safeway rescinding its "poison pill" rights, which, following a takeover, would let Safeway shareholders buy shares at half-price.

Pechiney may cut Quebec stake

BY PAUL BETTS IN PARIS

PECHINEY, the French state-owned aluminium and metals group due to be privatised, is considering reducing its stake in the US $1bn Becancour aluminium plant in Quebec as part of its efforts to concentrate more on high value added metals production and less on basic aluminium production.

The move, disclosed by the pro-Communist CGT union, would see Pechiney half its stake in Becancour from 50.1 per cent to about 25 per cent. If the French group decided to go ahead with the sale of part of its stake in the Canadian facility, it would mark a significant shift in the company's North American strategy.

Although no agreement has yet been reached, industry sources have confirmed that Pechiney has been envisaging reducing its Becancour stake.

Pechiney decided to invest in the Canadian facility two years ago as part of a major redeployment of its aluminium operations in North America. After selling its US aluminium production activities, it negotiated with the Province of Quebec the construction of the Becancour plant with a capacity of 230,000 tonnes of aluminium a year.

Pechiney's partners at Becancour, which came on stream this year and is due to be officially opened in September, are the Quebec Société Générale de Finance (SGF) and Alumax. Both have a 24.95 per cent stake.

The French group now appears keen to reduce even more its upstream aluminium production activities for more profitable metal transformation businesses. This month it announced plans to close two of its French aluminium plants, reducing its French aluminium capacity by 140,000 tonnes.

Pechiney launched the first wave of aluminium plant closures in France three years ago as part of a strategy to concentrate aluminium production on low cost facilities abroad. However, the group, the world's third largest aluminium producer after Alcoa and Alcan, has since concentrated more and more on developing new high value added metals transformation and processing businesses.

Pechiney's strategy and the negotiations over the possible sale of part of its Becancour stake could be modified with the appointment yesterday of a new group chairman.

He is Mr Jean Gandois, a former chairman of the Rhône-Poulenc chemicals group who recently conducted a study of the French steel industry for the French Government. Appointed by the government, he replaces Mr Bernard Pache.

The French cabinet yesterday nominated the heads of 24 of the country's leading state financial and industrial groups soon to be privatised.

The replacement of Mr Pache was a big surprise since he was popular inside the group and regarded as an apolitical and competent manager. He appears to have been sacrificed to make way for Mr Gandois, who had been widely tipped for a top industry job after the right wing won the parliamentary elections last March.

Under the stewardship of Mr Georges Besse, chairman of the state-owned Renault car group, and then Mr Pache, Pechiney saw its financial fortunes improve significantly. It reported earnings of FFr 750m ($110m) last year and profits of FFr 550m the year before after a string of heavy deficits.

Operating income at Xerox shows advance

BY OUR NEW YORK STAFF

XEROX, the leading US office equipment group, achieved a 12.5 per cent increase in income from continuing operations in the second quarter to $135m from $120m in the same period last year. but Mr David Kearns, chairman, stressed that the improvement resulted from financial services operations, at a time when the market for the company's traditional product groups has been softening.

Net income, however, showed a sharp fall, largely because of extraordinary gains in the year-earlier period.

Financial services, consisting principally of Crum & Foster, the property and casualty insurer, contributed $62m to the group's earnings compared to $19m a year earlier.

By contrast, Mr Kearns said that weak demand for reprographic and information systems equipment were partly responsible for the decline in income in this area to $73m from $101m in the second quarter of 1985, although there was a $15m extraordinary gain in the earlier period.

Xerox's operating revenues in the second quarter from its office equipment business were up 8 per cent to $2.3bn from $2.23bn, while non-consildated revenues from financial services were $855m, up 17 per cent from last year's $728m.

Net income for the second quarter, including a $12m charge for discontinued operations, was $122m ($1.13 a share), compared with $220m ($2.17 a share) in first quarter 1985, when there was a $95m extraordinary gain from discontinued operations.

Pitney-Bowes, another leading manufacturer of office equipment and the world's biggest producer of mailing machinery and postage meters, announced net income of $38m (96 cents a share) on sales of $300.8m, up 7 per cent from $35.6m (90 cents a share) on sales of $291.3m a year earlier.

Leaving aside an extraordinary gain of $6.5m a year ago, income from continuing operations was up by 31 per cent, and Mr George Harvey, chairman and president, said there bad been a gain in sales and earnings in all main operating groups.

The group has been investing heavily in electronic versions of its traditional lines of equipment.

Exchange rate rise hits sales at Hoffmann La Roche

By John Wicks in Zurich

THE SHARP rise in the Swiss-Franc exchange rate hit sales of the Swiss chemical group Hoffmann-La Roche, which fell to SFr 4.06bn ($2.36bn) in the first half, or 14 per cent below the figure for the corresponding 1985 period.

In local currency terms, however, turnover rose by the same percentage – or 11 per cent, excluding the effects of sales in high-inflation countries. Local-currency sales were higher in all product groups except the instruments division, where "electronics business suffered as a result of the general stagnation in this sector."

In the pharmaceuticals division, the drop in sales of the important product Valium after expiry of its patent in the US was made up for by growth in new products. Swiss-Franc turnover of this division dropped 18 per cent to SFr 1.63bn but local-currency sales were up 16 per cent over the first half of last year.

Elsewhere, the relatively poor sales volumes of the first quarter in the vitamins and fine chemicals division were made up for in the second quarter and "budgetary expectations satisfied" although, Swiss-Franc turnover was down by 15 per cent to SFr 1.07bn. Generally good results in terms of local currencies were also booked for other divisions.

In a statement by the Basle-based parent company, Roche says it expects n "satisfactory year". The group also believes that its earnings will increase as a share of turnover. Last year, record group profits of SFr 451.6m represented an increased return on sales of 5.1 per cent.

Wang Laboratories near break-even

By Our Financial Staff

WANG LABORATORIES, the Massachusetts office equipment group, virtually broke even in its fiscal fourth quarter with net profits of $800,000 or 1 cent a share. However, the result included gains of $19m from an accounting change and $14m from property sales, offset by a $10m provision for redundancy costs.

The result compared with a loss of $109m a year earlier, and took the year profits total to $50.9m of 35 cents a share compared with $15.5m or 11 ceots. Sales rose from $2.35bn to $2.64bn.

Building products 'still competitive'

By Robert Gibbens in Montreal

NEWSPRINT and building products markets remain highly competitive, said Abitibi-Price, but the second half should get some benefit from stronger pulp and newsprint prices.

The big Canadian pulp and paper group earned C$24.6m (US$18.9m) or 33 cents a share in the second quarter, up from C$2.3m or 29 cents a year earlier on sales of C$701m against C$682m.

These Debentures having been sold, this announcement appears as a matter of record only.

New Issue

Canada Trustco Mortgage Company

(A loan company subject to the Loan Companies Act (Canada))

Can $50,000,000

10% Debentures due 1991

Issue Price 101⅛%

McLeod Young Weir International Limited

Banque Bruxelles Lambert S.A. — Banque Internationale à Luxembourg S.A.

CIBC Limited — Citicorp Investment Bank Limited

Goldman Sachs International Corp. — Hambros Bank Limited

Morgan Guaranty Ltd — Nomura International Limited

Orion Royal Bank Limited — Shearson Lehman Brothers International

Société Générale — Swiss Bank Corporation International Limited

Toronto Dominion International Limited — Union Bank of Switzerland (Securities) Limited

Westdeutsche Landesbank Girozentrale — Wood Gundy Inc.

July, 1986

Republic National Bank of New York

A subsidiary of REPUBLIC NEW YORK CORPORATION

Consolidated Statements of Condition
(In Thousands)

Assets	June 30, 1986	June 30, 1985
Cash and demand accounts	$ 206,830	$ 148,382
Interest bearing deposits with banks	6,885,974	5,534,281
Precious metals	123,388	109,483
Investment securities	2,896,757	1,950,704
Trading account assets	58,138	59,667
Federal funds sold and securities purchased under agreements to resell	19,279	280,000
Loans, net of unearned income	3,431,118	2,571,210
Allowance for possible loan losses	(87,420)	(64,868)
Loans (net)	3,343,698	2,506,342
Customers' liability under acceptances	1,892,517	1,006,593
Premises and equipment	274,390	199,181
Accrued interest receivable	226,716	212,520
Other assets	277,653	303,472
Total assets	$16,205,340	$12,310,625

Liabilities and Stockholder's Equity	June 30, 1986	June 30, 1985
Non-interest bearing deposits:		
In domestic offices	$ 475,398	$ 393,561
In foreign offices	71,828	-
Interest bearing deposits:		
In domestic offices	2,997,801	2,487,209
In foreign offices	7,179,338	5,759,494
Total deposits	10,724,463	8,640,264
Short-term borrowings	1,116,168	785,197
Acceptances outstanding	1,894,048	1,012,835
Accrued interest payable	202,440	261,246
Other liabilities	299,372	294,921
Long-term debt	434,248	-
Stockholder's Equity:		
Common stock, $100 par value: 4,800,000 shares authorized; 3,550,000 shares outstanding	355,000	355,000
Surplus	845,000	705,000
Retained earnings	334,601	256,162
Total stockholder's equity	1,534,601	1,316,162
Total liabilities and stockholder's equity	$16,205,340	$12,310,625
Letters of credit outstanding	$ 713,422	$ 255,396

The portion of the investment in precious metals not hedged by forward sales was $6.8 million and $2.3 million in 1986 and 1985, respectively.

REPUBLIC NEW YORK CORPORATION
Summary of Results
(In Thousands Except Per Share Data)

	Six Months Ended June 30, 1986	Six Months Ended June 30, 1985	Three Months Ended June 30, 1986	Three Months Ended June 30, 1985
Income before extraordinary item	$76,128	$59,280	$43,464	$29,981
Net income	$63,196	$59,280	$30,532	$29,981
Cash dividends declared on common stock	$15,523	$14,135	$ 7,819	$ 7,083
Per common share:				
Income before extraordinary item	$ 2.54	$ 1.92	$ 1.44	$ .97
Net Income	$ 2.06	$ 1.92	$ .97	$ .97
Cash dividends declared	$ .58	$ .54⅔	$ .28	$ .27⅓
Average common shares outstanding	27,053	25,811	27,743	25,821

Fifth Avenue at 40th Street, New York, New York 10018
(28 offices in Manhattan, Bronx, Brooklyn & Queens County)
Member Federal Reserve System/Member Federal Deposit Insurance Corporation
Beverly Hills • Beirut • Buenos Aires • Caracas • Cayman Islands • Channel Islands • Hong Kong
London • Los Angeles • Luxembourg • Mexico City • Miami • Milan • Monte Carlo • Montevideo • Montreal • New York • Nassau
Panama City • Paris • Punta Del Este • Rio de Janeiro • Santiago • Sao Paulo • Singapore • Tokyo

Canadian Imperial Bank of Commerce
(A Canadian Chartered Bank)

U.S. $300,000,000

Floating Rate Debenture Notes Due 2084

Notice is hereby given that for the six months interest period from July 24, 1986 to January 26, 1987 the Debenture Notes will carry an interest rate of 6$\frac{13}{16}$% per annum. The interest payable on the relevant interest payment date, January 26, 1987 against Coupon no. 3 will be U.S.$351.98 and U.S.$8,799.50 respectively for Debenture Notes in denominations of U.S.$10,000 and U.S.$250,000.

By: The Chase Manhattan Bank, N.A., London, Agent Bank

July 24, 1986 — CHASE

U.S. $100,000,000

Fortune Federal Savings and Loan Association

Collateralized Floating Rate Notes Due 1992

Interest Rate	6$\frac{11}{16}$% per annum
Interest Period	24th July 1986 / 24th October 1986
Interest Amount per U.S. $100,000 Note due 24th October 1986	U.S. $1,709.03

Credit Suisse First Boston Limited
Agent Bank

INTL. COMPANIES & FINANCE

N. AMERICAN QUARTERLIES

BORG-WARNER
Vehicle parts, chemicals, plastics

Second quarter	1986 $	1985 $
Revenue	933.4m	895.1m
Net profits	51m	18.1m
Net per share	0.58	0.20
Six months		
Revenue	1.83bn	1.65bn
Net profits	100.4m	62.7m
Net per share	1.14	0.70

BURLINGTON NORTHERN
Railroad

Second quarter	1986 $	1985 $
Revenue	1.69bn	2.1bn
Net profits	†785.4m	137.8m
Net per share	†10.73	1.63
Six months		
Revenue	3.64bn	4.45bn
Net profits	†1.04bn	264.2m
Net per share	†14.72	--

†Loss

CELANESE
Chemicals

Second quarter	1986 $	1985 $
Revenue	743m	780m
Net profits	55m	49m
Net per share	4.60	3.35
Six months		
Revenue	1.49bn	1.53bn
Net profits	109m	81m
Net per share	8.72	5.94

CHAMPION SPARK PLUG
Vehicle parts

Second quarter	1986 $	1985 $
Revenue	208.2m	192m
Net profits	†4m	3m
Net per share	†0.10	0.08
Six months		
Revenue	434.3m	413.8m
Net profits	†3.9m	12.8m
Net per share	†0.10	0.33

†Loss

CROSS & TRECKER
Machine tools

Third quarter	1985-86 $	1984-85 $
Revenue	100.3m	105.4m
Net profits	†1.1m	2.8m
Net per share	†0.09	0.21
Nine months		
Revenue	308.3m	302m
Net profits	444,000	7.9m
Net per share	0.04	0.64

†Loss

HERSHEY FOODS
Confectionery

Second quarter	1986 $	1985 $
Revenue	450.2m	431.1m
Net profits	24.6m	22.1m
Net per share	0.79	0.70
Six months		
Revenue	988.2m	967.6m
Net profits	51.8m	44.8m
Net per share	1.65	1.43

INGERSOLL-RAND
Air compressors, industrial equipment

Second quarter	1986 $	1985 $
Revenue	726m	678.1m
Net profits	19.1m	16.7m
Net per share	0.85	0.78
Six months		
Revenue	1.4bn	1.3bn
Net profits	34m	30.6m
Net per share	1.60	1.44

KIMBERLY-CLARK
Paper products

Second quarter	1986 $	1985 $
Revenue	1.1bn	1bn
Net profits	68.8m	78.8m
Net per share	1.50	1.72
Six months		
Revenue	2.1bn	2bn
Net profits	142.1m	151.3m
Net per share	2.10	3.31

Continued on Page 31

Austrian banks lift half-year earnings

BY PATRICK BLUM IN VIENNA

AUSTRIA'S TWO largest banks yesterday reported increased profit and business volumes for the first six months and said they expected "positive results" for 1986.

Creditanstalt Bankverein, reported a partial operating profit of Sch 918m ($62m) up 9 per cent on the Sch 842m for the same period last year. Dr Hannes Androsch, Creditanstalt managing board chairman said that full operating profits were 23 per cent up compared to the same period last year but did not disclose the amount.

The Creditanstalt group balance sheet, rose to Sch 440bn at the end of June from Sch 432.4bn at the end of 1985. The parent bank's balance sheet rose to Sch 366.02bn at the end of June from Sch 348.2bn at the end of December.

The Girozentrale Bank reported operating profit of Sch 683m for the first six months of this year, up 7 per cent on the same period last year. The bank's net income from interest and commission rose from Sch 1.18bn in the first six months of 1985 to Sch 1.26bn in the first half of this year.

The bank's balance sheet rose to Sch 262.7bn at the end of June, from Sch 250.6bn at the end of December.

Dr Karl Pale, Girozentrale managing board chairman, said that he was satisfied with the results.

All big Austrian banks have benefited from the sharp rise of activity on the Vienna bourse where they hold a near monopoly. Turnover on the bourse in the first six months of this year was Sch 4.5bn – almost double the amount in the same period last year.

Credit Suisse sells wine maker

BY JOHN WICKS IN ZURICH

CREDIT SUISSE, the Zurich bank, has sold Gruppo Italiano Vini (Giv), a leading Italian wine producer, to Lega Nazionale Co-operative, the Modena-based consortium.

The sale, the price of which has not been disclosed, marked the divestment of a big remaining part of the Winefood Group

Giv, whose turnover reached L97.5-bn ($670,000) in the past financial year, is the producer of wine labels such as Melini, Negri and Folonari.

Consob to discuss Milan delays

By Alan Friedman in Rome

AN UNUSUAL meeting is to be convened in London this evening between officials of Italy's Consob stock market authority and some 150 members of the International Operations Association, a London group of back office securities agents from British and international banks and stockbrokers.

The meeting, to be at the Barbican Centre, has been called to discuss ways of eliminating the serious settlement delays experienced in recent months by foreign investors active on the Milan bourse.

Mr Giuseppe Zadra, a senior Consob official, will explain steps taken by Italian authorities to improve the situation. Among these has been the approval of legislation in Rome designed to introduce the Monte Titoli electronic share registry.

He will also outline the need for foreign investors to guarantee 100 per cent of the value of share transactions in Italy, and will clarify the role of both Italian custodian banks and the clearing system operated by the Milan branch of the Bank of Italy.

Gelco Corporation

has sold its European trailer rental and leasing subsidiaries to

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a corporation formed by a group of investors including the management of the European subsidiaries

The undersigned acted as financial advisor to Gelco Corporation in this transaction.

Dillon, Read Limited

July 24, 1986

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE — 23rd July, 1986

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INTL. COMPANIES and FINANCE

Chris Sherwell in Bangkok examines a fragile finance sector

Troubled times for Thai bankers

TWO BANK rescues and continuing problems for finance companies in Thailand have raised embarrassing questions about supervision by the country's central bank and underlined the need for structural reforms to strengthen its fragile financial sector.

The controversy, in building up further over recent weeks, has caught public attention at an awkward moment. Thai voters go to the polls this Sunday, and the parties in General Prem Tinsulanonda's coalition would prefer to be defending a better government track record in economic matters.

In the latest developments, the Bank of Thailand, the central bank, has this month bailed out First Bangkok City Bank, the 10th largest local bank, and decided to give still more assistance to Sayam Bank, following its rescue in 1984. It has also joined the Hong Kong authorities in helping International Trust and Finance, a local finance company linked to the colony's troubled Overseas Trust Bank.

Other commercial banks are reporting sharply reduced profits. Bangkok Bank, the largest, showed a 33 per cent drop in pre-tax earnings in the first half of this year.

Behind most of the troubles are congenital problems of Thai banking—unsound lending and unprofessional management by many banks and finance companies, and insufficiently determined monitoring and supervision by the authorities. Despite this, the central bank has seemed committed to rescuing troubled institutions.

For the Bank of Thailand, this is not the first time it has stood unhappily in the public eye. Mr Sommai Hoontrakul, the tough-minded Finance Minister, unceremoniously sacked its governor in November 1984 and installed his own man, Mr Kamchorn Sathirakul —a change which, in light of events, now seems to have worked unsatisfactorily.

Likewise it is not the first time reforms in Thailand's financial system have looked necessary. In 1983 the World Bank, in a major study, recommended that the banking system be opened up to foreign and local banks to allow more competition, and that weaker performers be allowed to shut down. Tha advice was spurned.

Thailand's commercial banking system, with its 15 private banks and one state-owned bank, has thus seen little change in more than 20 years. Three—Bangkok Bank, Thai Farmers Bank and Krung Thai Bank—have well over half the market. Another 14 foreign banks, though long established, still have less than 5 per cent.

Sommai Hoontrakul: Economic track record under fire

It was tha concomitant expansion of Thailand's finance companies in the 1970s which exposed the weaknesses in the system. Rapid and unregulated growth brought the crash of a finance company in 1979. The fall of two housing finance companies in 1982 should have sounded louder warnings. When three more companies crashed in October 1983, a panic began.

Close to 20 companies stopped business in ensuing weeks, and another 25 agreed to a partial state takeover under a lifeboat scheme set up by the Government which was finally launched in April 1984. They have since received around 5bn baht ($191m) in the form of soft loans and capital injections.

A similar sum has also been committed to Sayam Bank, formerly known as the Asia Trust Bank, which the authorities decided to rescue in August 1984. This affair has geen embarrassing because it allegedly involved fraud, and the authorities failed to pin charges against the bank's senior official before he fied to Taiwan. The latest financial assistance has been necessary to prop up the bank.

The more recent case of First Bangkok City Bank shows that the troubles persist. The bank was hit by bad loans and foreign exchange losses, and the authorities, having ordered a reduction in the value of its shares, are injecting fresh capital, providing a soft loan and trying to persuade new investors to come in.

On the finance company front, the help offered to International Trust and Finance has irritated companies already in the lifeboat because it smacks of favoured treatment. The central bank says the case is different because it involves co-operation with Hong Kong, which is also injecting funds.

It seems likely that some of the existing companies in the lifeboat will be privatised in the next few years, while others may be merged. But the future of the worst affected is still to be decided.

In one particular case there has heen an intriguing departure in policy. In April, Australian Guarantee Corporation, controlled by Westpac, Australia's biggest bank, was allowed to take over 80 per cent of First Siam Financial Corporation, part of the PSA group of companies in Thailand. The controlling foreign stake is believed to be the first of its kind.

Financing the central bank's rescue strategy is its new Rehabilitation and Development Fund, to which banks and finance companies have to contribute. But it has prompted intense bitterness, because it unfairly penalises those who do not run into trouble.

In an open letter to the central bank, Mr John van der Linden, head of Multi-Credit Corporation of Thailand, recently declared that the bank was setting dangerous precedents by supporting depositors who had taken big risks and by taking over the management and equity of failed groups. Its scheme would "keep alive dead patients" and involve the Government in matters best left to private business, he said.

The bank also stands accused of failing to use its powers to intervene earlier. A set of royal decrees issued last year has given it the means to act when necessary. These have still to be ratified by Parliament, however, and this will be a priority for the new government to be formed after Sunday's election.

Beyond this there is a clear need for more stringent accounting requirements and for a deposit insurance schema to protect small depositors. Proposals for such a scheme have been put up before, but Mr Sommai, inexplicably, has not pushed one through.

This underscores another complication in the current climate: tha unpopular Mr Sommai may not return to his position in the new government. On tha assumption that Gen Prem heads a new coalition, the Finance Ministry is once again likely to be occupied by a technocrat. But it is far from clear whether he will have the will to act firmly.

Bond may buy control of San Miguel HK

By Samuel Senoren in Manila

BOND CORPORATION Holdings, the Australian brewing group, is considering the acquisition of a controlling interest in Hong Kong's San Miguel Brewery held by San Miguel Corporation of the Philippines.

The Manila group owns 75 per cent of San Miguel Hongkong which has as much as 80 per cent of the territory's beer market.

San Miguel officials said yesterday they had been approached by Bond shortly after negotiations to sell the Hong Kong interests to Anheuser Busch of the US fell through last month.

A Bond offer would be expected to match the price offered by Anheuser, making a deal worth about HK$1bn (US$128m).

Trading of shares in San Miguel Hongkong on the Hong Kong Stock Exchange was suspended on Tuesday, and is due to resume next Monday. San Miguel officials described tha discussions with Bond as exploratory.

Bond, one of Australia's two major brewers, is believed to be interested in San Miguel Hongkong in order to gain a foothold into the potentially lucrative market in China.

Nissan hit by strong yen and Mexican operations

BY YOKO SHIBATA IN TOKYO

NISSAN, the Japanese car maker, and its 42 consolidated subsidiaries reported net profits of Y35.67bn ($229.5m) for the year to March, a slide of 56.4 per cent which the group blamed chiefly on a Y25bn earnings fall in Mexican operations caused by the currency devaluation and high inflation in that country.

In addition, the sharp appreciation of the yen eroded profit margins substantially.

Sales totalled Y4,627.5bn, almost unchanged.

On a parent company basis, pre-tax profits had dipped 15.3 per cent to Y124.68bn with net profits of Y64.75bn, down 12.3 per cent, on turnover of Y2,754.2bn, up 3.8 per cent.

● Fuji Heavy Industries, the Nissan affiliate which makes Subaru vehicles, yesterday reported consolidated business results for the first time. In the year to March FHI and its three group companies posted net profits of Y19.36bn, surpassing the parent company's net profits by 49.5 per cent. Consolidated pre-tax profits came to Y29.63bn, on sales which exceeded those of the parent by only 1.5 per cent.

Net profits at its affiliate Subaru of America, rose 28 per cent to $77m.

Nikon profits slide 69%

NIPPON KOGAKU, the maker of Nikon cameras, has reported group net profits of Y2.34bn ($15.1m) in the year to March, down 69 per cent from the previous year and below the parent company's net profits level of Y3.87bn, writes Yoko Shibata.

The steeper fall in consolidated earnings was attributed to the cost of the yen's appreciation which was borne by its overseas subsidiaries, as the group did not cut export prices. Turnover reached Y201.11bn, down 8.7 per cent.

In the current year, the company is enjoying strong sales of its newly introduced auto-focus single lens reflex cameras, and exports of compact cameras to the US. However, its two US sales subsidiaries are likely to remain in the red.

Nippon Kogaku foresees consolidated net profits of Y1.5bn, down 36 per cent, on sales of Y205bn, up 1.9 per cent.

Unity/APA in A$361m bid for Humes

By Mark Westfield in Sydney

THE UNITY/APA Group of Mr Garry Carter unveiled a A$361m (US$230.3m) all-share takeover bid yesterday for Humes, a Melbourne building products group, at a price significantly lower than it has been paying for the target's shares on the stock market.

Unity/APA has built up a stake in Humes of 13 per cent at prices of up to A$2.80, yet the paper bid values Humes at only A$2.50 a share.

Unity/APA's offer, the precise terms of which are yet to be announced, was dismissed by Humes yesterday as "ludicrous."

Unity/APA said the offer would value Humes shares at $2.50 each. Exact terms were not announced, but these are expected to be on the basis of five APA shares for every six in Humes.

The value of the paper bid is pitched at about 12 times Humes' expected earnings this year and stockbrokers yesterday suggested that the offer was not being taken seriously.

Yasterday's announcement appears designed to put pressure on institutional holders to take the $2.75 cash price in the market which could allow APA/Unity to move to the 20 per cent ownership level

AIBD BOND INDICES

WEEKLY EUROBOND GUIDE JULY 18

	Redemption Yield	Change on Week %	12 Months High	12 Months Low
US Dollar	9.222	−0.389	10.850	9.094
Australian Dollar	13.743	1.148	14.630	12.600
Canadian Dollar	10.522	−0.398	11.840	10.489
Euroguilder	6.082	−0.496	6.960	5.971
Euro Currency Unit	8.457	0.494	9.524	8.164
Yen	6.432	0.422	7.250	6.307
Sterling	10.302	1.919	11.932	9.751
Deutschemark	6.507	−0.383	7.210	6.418

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INTL. COMPANIES & FINANCE

Imperfect floater for Canadian bank

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

BANK OF Nova Scotia was the latest borrower to climb on board the floating-rate note bandwagon yesterday with a $300m, 99-year issue that is led by Credit Suisse First Boston.

Tho deal, which is priced at par and carries interest at a margin of ⅛ per cent over the six-month London interbank offered rate for Eurodollar deposits (Libor), met strong demand and traded above its issue price in the afternoon.

The margin over Libor was clearly sufficient to overcome a wrinkle in the conditions that theortically makes this issuo less attractive than other long-dated Canadian bank floaters.

If Bank of Nova Scotia reduces its dividend, interest payments on the floater are to be reduced pro-rata. The Bank will not be compelled to accrue the unpaid interest or to sell extra equity to make good the shortfall.

In other words there will be no safeguard for investors in the event of a dividend cut and the bonds thus carries more of an equity flavour than other similar deals.

CSFB said it thought "long and hard" before launching the issue on to the market, but came to the conclusion that the concession would make little difference in practice. Bank of Nova Scotia has never omitted its dividend and only reduced it twice, both times during the Great Depression.

Any bank which did cut its dividend would clearly be in troublo anyway and that would affect the standing of its debt in the market place, so that the safeguards built into other issues are not as cast-iron as they appear.

Moreover the Bank of Nova Scotia issue ranks second only to deposits in the even of a liquidation. This means the principal is better secured than on perpetual floaters for UK clearing banks which rank equal to preference shares.

Elsewhere bond markets were quiet. There was not even a whiff of Royal Wedding euphoria in the secondary market where prices of fixed-rate dollar issues drifted lower.

Stanley Atlantic, a unit of the Connecticut corporation which makes Stanley knives and other hand-tools, launched an Ecu 55m, seven year 7¾ per cent issue through Morgan Guaranty which is priced at 100⅜.

This deal is being used directly to hedge Stanley's operations in Europe and will not be swapped, a factor that allowed for relatively generous pricing. Tho borrower is a household name which should appeal to retail portfolios on the continent and the deal traded within its 1⅞ per cent fees yesterday afternoon.

Dealers said it also looked generous in comparison with the Ecu 200m, 7¼ per cent deal for Electricite de France launched on Tuesday night through Banque Nationalo de Paris. BNP was quoting the deal just inside its 2¼ per cent fees yesterday, though other bankers quotel a slightly wider discount.

IBM World Trade Corporation launched the first ten-year private placement in the Swiss market since new rules permitting such long-dated issues were introduced earlier this summer. The SFr 350m deal bears interest at 4⅞ per cent and was priced by lead manager Swiss Bank Corporation at 99½. Ever a popular name with Swiss investors the IBM paper traded at a discount of ⅞ per cent on the grey market, equal to the selling concession.

Swiss Franc issues were a touch firmer yesterday while D-Mark bonds were little changed.

Royal Co. the Japanese restaurant group, launched a rare $60m convertible issue. Tho 15-year deal carries an indicated semi-annual coupon of 2⅞ per cent and conversion premium of 5 per cent. Lead manager is Nippon Kangyo Kakumaru. Inageya, the Japanese supermarket concern launched a $30m, seven-year equity warrant deal through Nomura International. The indicated coupon is 3⅛ per cent and the exercise premium 2½ per cent.

The $100m convertible issue for Burlington Industries has been priced with o coupon of 7 per cent, at the lower end of the indicated range of 7 to 7¼. Conversion premium has been set at 26 per cent and lead manager Kidder Peabody has introduced a put option after seven years at 109½, giving an effective yield of 8.06 per cent.

Greek utility returns to capital markets

By Alexander Nicoll

GREECE'S Public Power Corporation is arranging a $180m loan, the latest of what are expected to be several ventures by the country into the capital markets following a successful $370m loan signed for the Bank of Greece at the end of May.

Chase Manhattan has been mandated to arrange the loan, and is currently forming a management group. There was no indication yesterday whether the terms would be more aggressive than on the Bank of Greece's deal, which was for eight years including five years' grace, with a spread of ⅞ points over London interbank offered rates, a ⅛ point commitment fee, and a ½ point management fee for banks putting up $15m or more.

Setting the terms was a delicate process than because Greece had previously halted borrowing temporarily and imposed austerity economic measures amid concerns about the country's foreign debt position.

4% of Drouot Assurances in public offering

By Our Euromarkets Staff

AN INTERNATIONAL offering of a 4 per cent holding in Drouot Assurances, the French insurance group, was launched yesterday by Banque Paribas Capital Markets.

The 400,000 shares, listed in Paris on the second mark t, are being sold by Mutuelles Unies and Patrimoine Participations, reducing their combined holding from 89 to 85 per cent. The purpose of the sale is to diversify the company's shareholder base as well as to boost the shares' liquidity.

The offering is priced at FFr 546, the market price at the time of launch, and commissions total FFr 35.

Drouot is the largest insurance company in Axa, a grouping of insurance, finance and investment companies ranking as France's fifth largest insurance concern in 1985.

The two selling shareholders are also part of Axa. Drouot had net profits of FFr 380m ($55m) in 1985 and premiums written totalled FFr 7.4bn.

$150m facility for F. L. Smidth

By Our Euromarkets Staff

F. L. SMIDTH, a Danish manufacturer of cement plant, has mandated Manufacturers Hanover to arrange a $150m facility to issue notes and receive advances.

Of the total, $30m is to be a committed seven-year revolving credit. The underwriters will also constitute a dealer panel upon which the borrower can call for notes and advances of one, three, six or 12 months maturity. They may also make individual bids directly for paper of any maturity between seven and 365 days.

Merck raises payout by 22%

By Our New York Staff

Merck, the US pharmaceuticals and special chemicals producer, has raised its quarterly dividend by 22 per cent to 55 cents a share from 45 cents. It also announced a $500m further programme to buy back its shares, which at current market prices could net 3.4 per cent of the 140.9m shares outstanding.

In an earlier share buybacks in 1984 and 1985, Merck repurchased 8.1 per cent of its stock. Shares bought under the new programme will be made available for employees' stock option schemes and other benefit plans.

Japan to ease interest controls

BY YOKO SHIBATA IN TOKYO

RELAXATION of interest rate controls in Japan will take another step forward in September when the Ministry of Finance lowers the minimum size of bank deposits to which market-determined interest rates apply, to Y300m, from the present Y500m.

This will be the third stage of deregulation for large deposits. The ministry plans to reduce the minimum to Y100m next April.

Also this September the minimum for money market certificates (MMC) will be lowered to Y30m, from Y50m, while the certificate of deposit (CD) issuo quota will be expanded from 200 to 250 per cent of the issuing bank's net worth.

The ratio of deposits bearing floating interest rates to total deposits stood at 17.1 per cent for commercial banks at the end of March 1986. For all city (commercial), long-term credit, trust, regional and Sogo (mutual) banks, tho ratio was 14.4 per cent. Market-rate deposits also account for 66 per cent of all funds held by city banks and 59 per cent of those by regional banks.

The smaller Japanese banks are concerned about the impact of deposit rate deregulation. If tho relaxation is extended to much smaller deposits the cost of the banks' fund raising will be pushed up as the competition for customers intensifies.

The smaller banks cannot avoid tighter margins by lifting lending rates, as Japanese corporations, flush with funds, are more sensitive than they used to be, about high yield options.

The balance of large time deposits with market-determined interest rates at the 13 commercial banks almost doubled to Y6,410bn on the three months by the end of June. The balance which stood at Y3,300bn in March, increased by Y690bn in April, Y1,050bn in May and Y1,370bn in June.

The sharp increaes which stemmed in part from intensified competition for new customers among major banks, are leading to wider rate differentials between largo denomination time deposits and certificates of deposits (CDs).

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on July 23

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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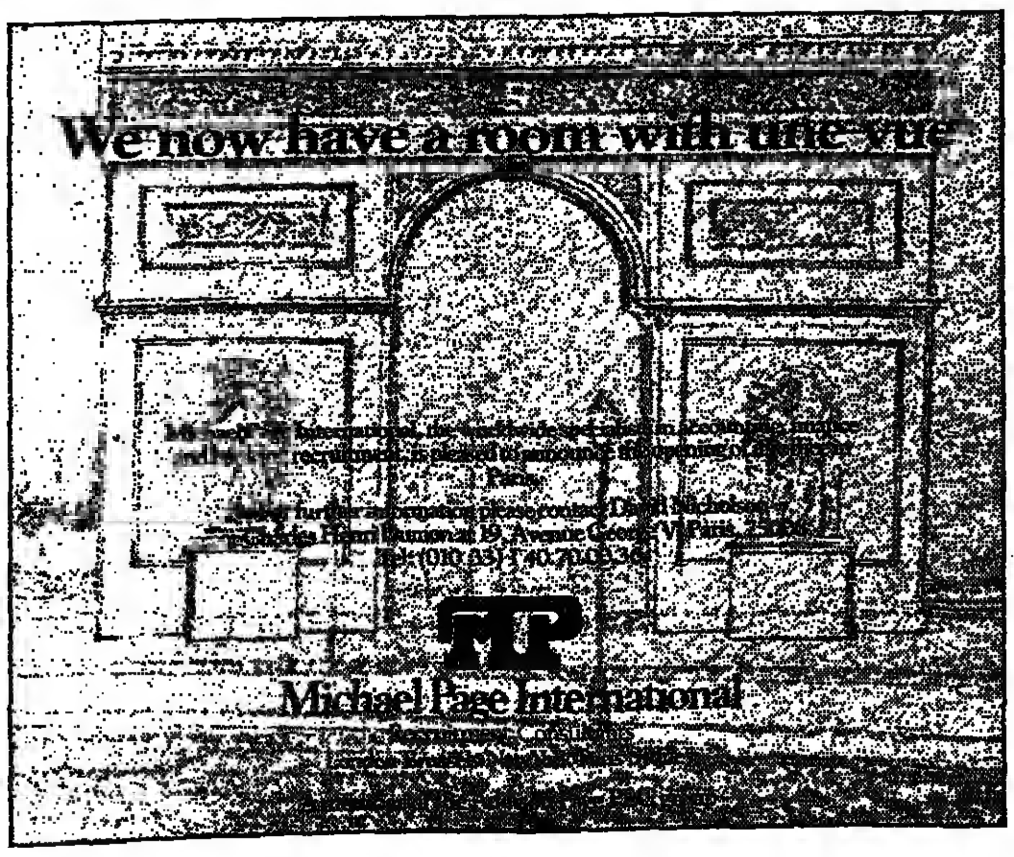

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Continued on next page

UK NEWS

Gas Bill escapes pressure for radical amendment

Lucy Kellaway on legislation which is to receive Royal Assent tomorrow

AFTER a stormy passage through the Commons and a lengthy spell in the House of Lords, the Gas Bill is finally poised to receive Royal Assent tomorrow.

In spite of some 1,000 suggested amendments, resistance from unions, industry and consumer bodies and a critical report from the Commons Energy Committee, the finished legislation bear more than e family resemblance to the drafts.

The bill itself, which lays down the general legal framework within which a privatised British Gas must operate has escaped with few important alterations.

Initially, the bill was judged by many to be e weak measure which imposed a minimum of extra constraints on the privatised company.

The most important amendment to the bill obliges the new regulatory body, the Office of Gas Supplies, (Ofgas) to encourage competition in the industrial market.

In its original form, the bill gave British Gas e virtually free hand to exploit the industrial market, which accounts for some 35 per cent of the corporation's sales and is perheps its most profitable sector. It was silent on the prices charged by British Gas to allow third party suppliers to use its pipelines.

The amendment will empower Ofgas to ensure that the prices charged for the use of pipelines and for the back-up gas that British Gas is required to sell to rival suppliers are low enough to encourage competition.

Several small changes have been made to strengthen the powers of the new Gas Users' Council, which according to the original draft would have been slightly weaker than the existing Gas Consumers' Council. The amendments will at least preserve the status quo.

The terms of the licence, which imposes operational restrictions on British Gas, and which is authorised by the gas bill, have been amended since the original draft stage.

The licence contains the formula which sets the price charged by British Gas to its domestic customers. According to this formula, the corporation can pass on the cost of its gas supplies to the consumer, and adjust prices by the rate of inflation less 2 per cent.

While the licence has been as roundly criticised as the bill itself, it too has escaped relatively unscathed.

The most important is a provision compelling British Gas to raise standing charges to the consumer by no more than the rate of inflation, whereas the draft licence merely required it to use its "best endeavours" to ensure that there was no real increase in charges.

The revised licence also contains special concessions for the elderly and handicapped, who were not singled out in the first draft.

A further concession was made in the interests of energy efficiency obliging British Gas to provide up-to-date information to all consumers on how best to save energy.

A final amendment recognises the potential conflict of interest between British Gas in its role as an explorer. In an attempt to build a "Chinese wall" between the two, the proposed licence says that no sensitive information gleaned by the buying side should be passed to the exploration side.

The final legislative package falls well short of the energy committee's recommendations and fails to assuage many of its doubts about a privatised British Gas.

The select committee argued that to allow British Gas to choose the price it charged its industrial cusetomers would give it too much power. While the Government argues that this side of the business will be naturally kept in line by competition from other fuels, the committee was not convinced.

Furthermore, it was concerned that by allowing British Gas to pass on the price of any expensive gas it might buy straight on to its consumers it would give little encouragement to buy cheaply.

Perhaps as important as the changes made to the gas legislation to encourage competition in the industry was a statement in March by Mr Peter Walker, Energy Secretary, which opened the way to gas exports from Britain after the British Gas privatisation.

Bringing other buyers into the picture will reduce the corporation's power. The concession, bowever, epplies only to new fields.

FT COMMERCIAL LAW REPORTS

IN RE AV SORGE & CO LTD
Chancery Division: Mr Justice Hoffmann: July 15 1986

No fixed date for liquidator's fee

WHERE A voluntary liquidator is displaced by an order for compulsory winding-up, the court has power to fix his remuneration in respect of activities carried out by him in connection with the liquidation before and after the compulsory order was made, and before the resolution to wind up voluntarily was passed.

Mr Justice Hoffmann so held when dismissing a motion by Mr John Brown, liquidator of A V Sorge & Co Ltd ("the company") in a compulsory winding-up, to discharge an order by the registrar fixing the remuneration of Mr Ashworth, the previous liquidator in a voluntary winding-up.

Rule 195 of the Companies (Winding-up) Rules 1949 provides: "The assets of a company in a winding-up by the court remaining after payment of . . . expenses . . . incurred in . . . realising . . . assets, including where the company has previously commenced to be wound up voluntarily such remuneration . . . as the court may allow to a liquidator appointed in such voluntary winding-up, shall . . . be liable to the following payments . . ."

HIS LORDSHIP said that the company traded as a wholesale chemist in Birmingham. The sole director was a Mr Frankel. In August 1982 be went to prison, leaving the company in serious financial difficulties.

On November 10 1982 a creditor with a judgment debt presented a winding-up petition. The petition was served at the company's registered office on November 15 and marked for hearing on December 20.

The company ceased trading on November 19. A Mr Franklyn, the sales manager, was appointed a director and decided to call a meeting of creditors with a view to a voluntary winding-up. He had sought the advice of Mr Ashworth, an accountant.

In order to present a statement of affairs for the creditors' meeting, Mr Ashworth's firm instructed surveyors to value the company's premises, fixtures, fittings and stock. The figures were available to the creditors' meeting on December 8.

At the meeting, Mr Ashworth was confirmed as liquidator. The stetement of affairs showed that the only available assets were the stock (estimated to be worth £50,000 or, on a forced sale, £33,000), and debtors (estimated to realise £35,000). The freehold property was charged.

On December 14 Mr Ashworth instructed the surveyors to sell the company's freehold property. Cheques from debtors began to arrive by post, and Mr Ashworth confirmed instructions to debt-collectors.

The petition came on for hearing before Mr Justice Mervyn Davies on December 20. Mr Ashworth had consulted solicitors. They filed an affidavit sworn by him saying that creditors with debts of £16,000 had instructed him to oppose the petition on behalf of the company.

He said the stock included seasonal items which would depreciate if not sold soon, and that he believed it would be in the interests of creditors if the petition were dismissed.

The judge made an order validating sales of stock by the voluntary liquidator. He adjourned the petition until January 17 1983 when Mr Justice Vinelott made the usual compulsory order.

Mr Franklyn had formed a company to carry on a similar business. Before the making of the winding-up order he had been negotiating with Mr Ashworth for the purchase of the stock. His company took possession of the stock just before Christmas.

The surveyors acknowledged receipt of £500 towards the £25,000 for some of the stock on the understanding that negotiations were open to agree a figure for the rest.

Mr Franklyn bed also taken the office furniture and other equipment for which £2,615 was said to be owing. His company paid nothing more and bad since been wound up. Nothing would be received in respect of the stock.

Mr Ashworth's collection of book debts was little more successful than his realisation of the stock. The debt-collectors collected £29,242, but after deducting commission and setting off fees and expenses they accounted for only £7,824. Postal cheques from debtors amounted to another £2,485 just before the winding-up order, and just over £1,000 more afterwards.

On April 28 1983 Mr John Brown was appointed liquidator. On September 13 Mr Ashworth issued e summons asking the registrar to fix his remuneration at £3,427 including £2,427 for disbursements. That was opposed by Mr Brown. The registrar allowed the remuneration. Mr Brown now moved to discharge the registrar's order.

The main thrust of Mr Brown's objection was that Mr Ashworth's intervention in the company's affairs was unnecessary, inept and productive of nothing but loss.

The court's power to fix the voluntary liquidator's remuneration was based on rule 195 of the Companies (Winding-up) Rules 1949.

Mr Riddle, for Mr Brown, said thet the court bad no power to fix Mr Ashworth's remuneration because the company bad not "previously" commenced to be wound up voluntarily. He submitted that "previously" in rule 195 meant that commencement of the voluntary winding-up must predate commencement of the compulsory winding-up.

The compulsory winding-up commenced when the petition wes presented on November 10, 1982 (see Section 229, Companies Act 1948). The voluntary winding-up commenced when the resolution was passed on December 8, and therefore, said Mr Riddle, it was not "previously commenced."

"Previously" meant before the making of the compulsory order. If it meant before commencement of the winding-up the requirement would never be satisfied. Even when the resolution had been passed before presentation of the petition, section 229(1) of the Companies Act 1948 would antedate the commencement of compulsory winding-up to the date when the resolution was passed.

A voluntary liquidator could apply under rule 195 if be had been duly appointed and then displaced by a subsequent compulsory order.

Next Mr Riddle challenged the expenses incurred before the resolution for voluntary winding-up was passed. He submitted that under rule 195 the court should not allow priority to expenses which would not have been entitled to priority if the voluntary winding-up had proceeded.

The provision epplicable to e voluntary winding-up was section 309 of the Compenies Act 1948, which said that expenses properly incurred "in the winding-up," including the remuneration of the liquidator, should be payable out of assets in priority to all other claims.

It was said that the expenses in question were not incurred "in the winding-up" because they were incurred before the commencement of the winding-up.

In *Waterloo Manufacturing Co (Burnley) Ltd (1936) 3 CCR 281* Judge Burgis held that pre-resolution expenses might be "costs of the winding-up" or "incidental to the winding-up," but could not be costs "in the winding-up."

Also a guidance note issued by the Insolvency Practitioners Association in 1982 advised that all pre-resolution expenses would rank only as unsecured claims in the liquidation. The note recommended that all such expenses be paid in advence.

If that was the law, its effect was to create a trap for the unwary in penalising anyone who incurred expenses without asking for cash in advance, and to inhibit steps being taken to wind up insolvent companies.

The legislature did not intend such an odd result. No distinction was intended between "costs in the winding-up" and phrases like "costs of and incidental to the winding-up."

On similar reasoning Mr Riddle challenged certain expenses incurred by Mr Ashworth after the compulsory order bad been made.

Again, no fixed date could separate costs in the winding-up from those which were not. A voluntary liquidator who had been displaced must still answer queries, deal with incoming letters, hand over assets end so forth. Those costs were incurred in the winding-up.

The motion was dismissed.

For Mr Brown: Nicholas F. Riddle (Bazley White & Co, for Edward Lloyd & Co, Liverpool).

For Mr Ashworth: Edward Bannister (Fruhman Davies & Co, Manchester).

By Rachel Davies
Barrister

UK COMPANY NEWS

GUS profits rise 14% to £298m

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

Great Universal Stores, the mail order, retailing, and financial services group, yesterday announced higher than expected full-year profits.

Trading profits were up by 14.5 per cent from £253.5m to £290.35m on a turnover increase of just 3.2 per cent from £2.1bn to £2.27bn.

Pre-tax profits after taking account of realised property profits, less minorities and preference dividends, were up by 14.1 per cent to £297.8m, from £260.79m.

The results pleased the City and the GUS "A" shares closed at £10.25p, a 25p rise on the day. The ordinary shares closed at £12.50p, up 50p.

The GUS figures for the year to end-March 1986 did not reflect the sale in May of its Times Furnishing and Home Charm retail stores to Harris Queensway in a deal with £146m. This move will leave GUS with a 23 per cent stake in Harris Queensway since it is accepting 54m new Harris Queensway shares instead of cash.

Almost half of the trading profits came from GUS's mail order operations both in the UK and overseas although the company does not reveal detailed turnover and profits figures for its operating divisions.

GUS is the market leader in the UK mail order business with a market share, estimated by the Verdict research company, of 42 per cent. Littlewoods is GUS's nearest challenger with 25 per cent.

GU's mail order strategy has been to operate a number of different name catalogues, of which Kays, Great Universal and Marshall Ward are the three leaders.

The company said yesterday that it saw continuing growth in mail order and was not worried by new competition posed by the merger of Next, a leading fashion retailer, and the Grattan mail order operation.

This merger is aimed ot producing catalogues of Next-style merchandise for customers unable to reach the High Street stores.

GUS's profits would have been even higher had it not been for a smaller contribution than the previous year from the retail operations in the UK and overseas. These operations accounted for 14.1 per cent of trading profits.

The amin cost was a major refurbishment of the Times Furnishing chain following its integration with GUS's Cavendish Woodhouse stores.

In addition, GUS said that "had the profit of the overseas subsidiaries been converted into sterling at the same rates as last year, the 1986 profits would have been increased by £3.1m before tax and £1.9m after tax."

Financial services, business information, and related activities—accounting for 31.4 per cent of trading profits — made "further progress," according to the company.

Burberry exports were also reported to be "at a record level" with the company receiving a fifth Queens Award for exports.

Most City speculation still centres around the GUS link with Harris Queensway and especially the possibility of Sir Philip Harris, Harris's chairman, taking a greater role with GUS. An agreed merger between the two companies is not ruled out by City analysts who see Sir Philip as a natural successor to Lord Wolfson, GUS chairman.

In the current year GUS said that "in a period of more difficult world trading conditions, the unaudited profit before taxation for the first three months shows an improvement over the same period in the previous year."

GUS recommended a final dividend of 14p which, together with the interim dividend of 7p, makes a total dividend of 21p compared with 18p in the previous year.

See Lex

Bespak down despite second half upturn

FOLLOWING A sharp setback in the first half, Bespak made a recovery in second half profits to achieve £752,000 pre-tax against £888,000, but this still left the result for the year to May 2 1986 well down, from £2.27m to £808,000.

Mr R. H. King, chairman of Bespak, o maker of specialised aerosol valve systems, said the results reflected increased sales in the second half, and also the action taken to improve profitability. Turnover for the year fell from £12.67m to £11.28m.

Although earnings came out lower at 4.5p (17p) per 10p share, the directors have maintained the dividend at 4.25p with an unchanged 2.5p final, as a measure of confidence in the present year's trading.

The company's business in the US increased significantly in real terms over the year, the chairman stated, but progress had been disguised by changes in exchange rates.

One piece of encouraging news, according to Mr King, was that as a result of having direct representation based in North Carolina, the company was now involved in development work with a significant number of large potential customers, and in every case the projects were realistic.

The filled fire extinguisher business "did not develop as we had hoped despite significant investment in time, marketing effort, development and facilities." Provisions had accordingly been made in this year's accounts against the overall investment in fire extinguishers.

Tax for the year was £203,000 (£380,000), and after extraordinary charges up from £189,000 to £369,000 attributable profits emerged down at £236,000 (£1.7m). Dividends absorb £568,000 (£502,000), leaving a £332,000 loss (profit £1.19m).

● **comment**

Bespak took a nasty knock ot the interim stage from reduced demand at Glaxo and problems with filled fire extinguishers, so these results point to a second half recovery. Sales to Glaxo have stabilised above the first half level but they still represent over 50 per cent of total turnover, and thus have the capacity to cause further havoc. As a consequence, Bespak must be relieved that some of its non-Glaxo sales are picking up, notably that of the BK356 valve. Redland Medical, the latest acquisition, is engaged in the unromantic business of making urine bags but, although its profits contribution will be small, it will provide valuable work for the plastics moulding division. It second half profits of around £750,000 are doubled and some extra sales growth in the US is added, pre-tax profits of £1.8m can be reached this year. That puts the shares, at 130p, on a prospective p/e of 15, lower than the sector average, because of the market's caution over the Glaxo dependence.

Raine expands via £10m acquisition

BY CLARE PEARSON

Raine Industries, a small building and engineering group, yesterday announced it is buying the privately-owned construction company Miller Wheeldon in a complicated deal that will greatly increase Raine's size.

It will cost about £10.15m through the issue of 13m new ordinary shares, but a possible 8.3m of deferred shares will add significantly to this cost.

In addition, the deal will bring Mr Nigel Rudd, chairman of fast expanding Williams Holdings, onto Raine's board as a non-executive director.

Miller Wheeldon is a Derbyshire-based company formed in December 1985 from the merger of J. F. Miller and Wheeldon Brothers. The company operates five main businesses: house building, contracting, property refurbishment, property development and investment, and heating and plumbing services.

As part of the deal with Raine, Miller Wheeldon is acquiring C. Price & Son, a company controlled by Mr Nigel Rudd. The company was formerly active in construction and now has net assets of about £1.68m, most of which is cash.

On a pro-forma basis, the shareholders of Miller Wheeldon will contribute about 61 per cent of the £2.2m pre-tax profit of the enlarged group, and about 41 per cent of net tangible assets. Assuming all the potential 8.3m deferred shares are issued, the enlarged Miller Wheeldon group will represent 45 per cent of the enlarged issued share capital of Raine.

Raine yesterday estimated that its pre-tax profits for the year ended June 30 1986 were not less than £850,000, a 108 per cent increase on the previous year, and earnings per share 2.5p, a 79 per cent increase. Raine expects its final dividend to amount to 0.605p net, giving a total of 0.825p net for the year.

Raine has been actively expanding its housebuilding activities which now account for two-thirds of its business. Miller Wheeldon is by far its largest acquisition, however, and takes the company into the field of commercial property development and contracting.

Two other directors of Miller Wheeldon, as well as Mr Nigel Rudd, will become directors of the enlarged group. Mr John Gould will take up 19.6 per cent of the enlarged share capital, Mr Peter Parkin 13.21 per cent, and Mr Rudd 3.73 per cent.

Berkeley Technology issue to raise £30m

By Terry Povey

Berkeley Technology, the Jersey-registered but US-oriented development capital company, is raising £29.75m net through an issue of 15m shares at 200p.

The company, which specialises in high technology companies about to be listed on US stock markets, proposes to issue 3.38m shares to three existing shareholders and 8.65m shares to all shareholders on a three-for-20 rights basis. Both issues are being made at 200p.

The reason for the issue is to finance Berkeley's expansion into new business areas. Mr Arthur Trueger, executive chairman, indicated recently that the company would like to develop the range of financial services it offered clients companies—aiming at banking, insurance and fund management.

Berkeley intends to hire two executives—one in risk management/insurance, and the other in commercial loan brokerage—who will investigate expanding its involvement in these areas, whether through partnerships or takeovers of existing companies.

Until investment opportunities are identified, Berkeley intends to put tho money raised by this issue into short-term investments.

Berkeley came to the market through an offer for sale in February 1985, priced at 150p. For e year after the listing, which was sponsored by Kleinwort Benson, the shares traded below the issue price —falling to a 75p low in July 1985. However, since March this year, the shares have risen and were 203p yesterday.

In the six months to June 1986, Berkeley reported pre-tax profits of $8m compared with just over $4m in the previous year.

The amount raised at flotation was £44m and the company was valued at £84.6m. Most of the company's income traditionally comes from fees for arranging development finance, but since the flotation the emphasis has shifted towards realising capital gains on investments.

Mr Trueger, who raised £5.4m from the sale of 6m shares at the time of the flotation, is, as a US citizen, unable to take up his 2.1m entitlement under the rights issue. Along with certain investment trusts, with rights to 2.02m shares, managed by Touche Remnant, these shares and the rest being offered for sale at 200p are underwritten.

Medminster cuts debt with £0.5m rights

FURNITURE dealer and shipper, Medminster, is launching a £550,000 rights issue to reduce bank debt and fund extra working capital.

The company is offering investors one new share for every four held at 120p each. In the market the shares slipped 5p te 145p.

The John Delaney Group, a company controlled by Medminster's chairman and other directors holding 47.6 per cent ef the equity, will be taking up its rights entitlement and the balance has been underwritten.

Along with the cash call comes an estimate of not less than £500,000 profit pre-tax for the year ended June 30 compared with £465,000.

A significant contribution to interim profits was made by the new complex at London's White City specialising in the hire of furniture te television and film studios. Gimberts, based in Manchester, also did well.

During the second half, these activities have continued to show growth while the company has been expanding into high-tech office communications equipment and furniture hire.

The directors intend to expand this development and rent further premises at White City.

Sound Diffusion's delayed figures show £1.1m lift

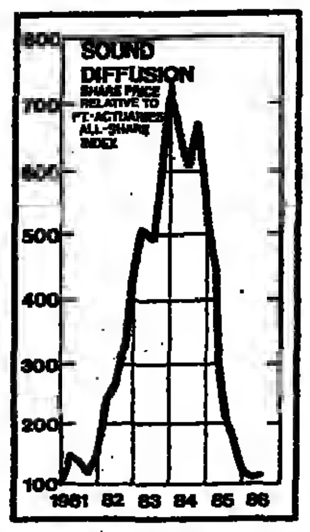
BY RICHARD TOMKINS

Sound Diffusion, the electrical equipment leasing company, yesterday produced its much-delayed results for the year to last December showing pre-tax profits up from a restated £4.7m to £5.8m.

When the interim results came out last November showing a sharp fall in profits from £5.3m to £2.7m, chairman Mr Paul Stonor forecast that the full-year figure would be similar to the previous year's. This was £7.4m until it was restated yesterday.

Mr Stonor said the figures had been adjusted to conform with accounting standard SSAP 21. This had the effect of lessening the amount of profit taken during the first year of a lease and increasing the proportion in later years.

The effect on last year's figures had been greater than expected, Mr Stonor said. "From a trading point of view, we did everything we thought we would do, and if it hadn't been for the accounting change we would have come in as forecast."



However, Mr Stonor also said that sales had been affected for part of the year by the "totally unwarranted" collapse in the company's share price. "It could have been a much better year but for that."

For the current year, Mr Stonor says that new business for rented products is being well maintained and Sound Diffusion has recently entered the market for small private telephone exchanges.

Alpha Lifts began trading economically in mid-1985, but ran into problems et the end of the year when safety gear had to be redesigned to cope with gearbox failures.

Mr Stonor said leasing type funds were readily available for financing its growth, but he had asked Carolina Bank to put together a syndicated loan agreement for £50m. This would be raised in the form of loan notes, a small proportion of whose face value would carry conversion rights equivalent to a total of 3½ per cent of the shares in issue.

Mr Stonor concludes with a profit forecast of £10m for the current year and says profits will be et least doubled over the following three years. "These various anticipations are based on a cautious extrapolation of the trading figures for the last six months."

Dares pays £9m to buy four London properties

Dares Estates yesterday announced four property acquisitions in London worth a total £9.1m, which will be funded almost equally in cash and shares.

In addition, the company said it was raising £1.5m by way of e placing of 12.35m shares at 12.5p each. These will be offered to shareholders on a one-for-two basis.

The property acquisitions involve a 50 per cent stake of a residential development in Central London called Chelsea Cloisters and three investment properties in Edgware, Highgate and Victoria. The deal is being satisfied by £4.5m in cash and £4.6m in shares, of which £3.1m is to be placed and £1.5m retained by the vendors.

Dares said the acquisitions represented a large increase in its investment portfolio and expanded significantly its residential and commercial development activities. Following completion of the transactions, Dares' net asset base will be about £11m compared with £4m at the end of 1985.

Chelsea Cloisters owns and is renovating and refurbishing an 11 storey apartment block which will comprise 627 apartments in Sloane Avenue, Chelsea. Current prices range from £58,000 for e studio flat to £187,500 for o three-room apartment.

Dares is acquiring its Chelsea Cloisters stake from the Greyhound Group. The remaining 50 per cent is held by Burgher, a private investment company.

The other three investment properties being acquired consist of office accommodiation and retail shps. The properties have been valned by Morgan Grenfell Laurie at £7.5m and currently produce a net annual income of around £693,000, anticipated to rise by £100,000 by the end of 1986.

Three directors of Dares are interested in Burgher and in the vendor of the properties being ecquired.

Elbief higher at £603,000

CONTINUED growth was achieved by Elbief, in the year ended April 30 1986. Turnover rose by 10 per cent to £4.2m and the pre-tax profit was up 16 per cent, from £521,000 to £603,000.

Shareholders benefit with a lift in their dividend from 1.72p to 1.89p net. The final is 1.36p.

The directors reported that sales of Elite ranges of photograph frames, mirrors and clocks continued to show solid growth, with major increases in market penetration in North America.

Sales of Elite clocks were increasing at e gratifving rate and represented en important diversification of product base, the directors said.

On the accessories side, for handbags and leather goods, sales showed a small lift.

In the year operating profit totalled £483,000 (£401,000) and there was £170,000 (£120,000) interest receivable and surplus on sale of investments. Tax charge came to £255,000 (£194,000) and earnings worked through at 2.61p (2.45p).

Pearl new life growth

ANNOUNCING its new life business figures for the first half of 1986, Pearl Assurance said the outstanding feature was a dramatic growth in unit-linked business.

This reflected strong sales of the new range of unit-linked contracts, supported by television and press edvertising.

In this area annual premiums rose from £3.25m to £5.66m while single premiums soared from £14.29m to £47.99m.

The company said it was also encouraged by the results ef the mortgage related scheme with the Alliance Leicester, and looked forward to good results from that in the second half.

Overall, new premium income advanced 59 per cent, from £53.27m to £84.96m. New single premium business advanced from £24.67m to £55.34m, which was marginally short of the whole of 1985.

In the ordinary branch new annual premiums came to £13.94m (£13.16m), with self-employed business declining by 46 per cent following the high level written last year in front of the Budget.

Against that, the unit-linked business rose 74 per cent and conventional annual premium assurance showed an increase of 22 per cent.

Growth in new annual premiums in the industrial branch was modest, but there was e rise in the everage premium per policy.

Cater Allen

Mr James Barclays, the chairman of Cater Allen Holdings, was questioned at the company'e annual meeting about Union Discount's announcement that it had decided not to become a gilt edged market maker. He replied: "Unlike Union Discount, the board wishes to re-affirm its commitment to the new market and remains confident of a successful and profitable future.

"The company has been heavily involved in making prices in assets for many years, and specialises in assessing and maneging the attendant risks.

"The directors firmly believe that the future for the company lies in expanding rather than withdrawing as new markets develop in the City of London."

Johnson Matthey in line with budget

The Johnson Matthey Group, which has interests in metal refining, chemicals and electric components, had a satisfactory start to the current year, which was generally in line with expectations, reported Mr Eugene Anderson, chief executive, to the annual meeting.

"For the balance of the year we will continue doing what we have been doing in the recent past, viz: continue to reduce debt; continue the rationalisation programme; focus on building the business and improving profits."

He said for the group as a whole interest costs were down considerably from last year.

DIVIDENDS ANNOUNCED

	Current Payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Elbief	1.36	Oct 25	1.24	1.89	1.72
Fleming Fledgeling int	1	Sept 1	1	—	2.5
Great Universal	14	Dec 19	11.75	21	18
Plasmec int	0.7	Sept 26	1	—	1
Sound Diffusion	0.5	Sept 6	0.42	0.5	0.42
Equipu	3.4	Oct 1	3.1	5.0	4.5
W. Yorks Hosp‡ ... int	1.5	Oct 1	—	—	—
Bespak	2.5	Oct 8	2.5	4.25	4.25

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Automated Security, British Assets Trust, Bullough, Derby Trust, Edinburgh American Assets Trust, Goode Durrant and Murray, Hill and Smith, Jurys Hotel, Imperial Chemical Industries, Ladies Pride, River Plate and General Investment Trust, SGB, Shell Oil, Toce, Throgmorton USM Trust, Updown Investment.

Finals: BTS, Barrie Investment and Finance, J. and J. Dyson, Halton, Viewplan.

FUTURE DATES

Interims—

Brammer	Sept 2
Capital and Counties	Aug 12
Cardiff Property	Aug 1
Macfarlane (Clansman)	Sept 1
Mount Charlotte Invests.	July 30
Parry Group	Sept 16
Rotork	Aug 6

Finals—

A and M	July 31
Barrie Investment and Finance	July 24
Gibbs Mew	July 31
Greggs	July 30
PCT	July 31
Ransom (William)	July 31

UK COMPANY NEWS

Foundation sells 5m Rank shares

BY LIONEL BARBER

The Rank Foundation, set up by the late Lord Rank to further religious aims, has sold half its shareholding in **Rank Organisation,** the leisure and hotels group, raising £24.35m.

Cazenove placed 5m Rank shares yesterday at 487p each, just below the prevailing market price. Rank closed at 490p, down 10p on the day.

In May 1984, the Foundation's directors began diversifying their investment portfolio by selling 10.3m of the 20.3m ordinary shares originally held. *Yesterday's placing continues* the policy of diversification.

Mr Michael Richardson, a director of N. M. Rothschild who is advising the Foundation on its investments, said that the strong rise in Rank shares over *the past 12 months had* boosted the value of the Foundation's holding to £50m. This corresponded to the value of the 20m shares held in 1984.

Mr Richardson said: "We thought it prudent not to have so much money tied up in one stock. This does not denote lack of confidence in the company, quite the opposite. We are delighted with our investment."

Since the appointment of Mr Michael Gifford as group chief executive in 1983, Rank has restructured its businesses through substantial asset sales and has regained favour in the City. Last week, it announced *pre-tax profits of £70.2m* on £225.1m turnover for the six months to May.

The 5m shares were said to have been placed in firm hands by Cazenove yesterday. With around 2.3 per cent of Rank shares, the Foundation remains a substantial shareholder in the group.

Rock purchase and rights

Rock, the engineering parts supplier which has seen its profits recover firmly in the past two years, *is paying £425,000* to acquire Fourth Quarter group, which for the first time will give it a manufacturing operation. The consideration is 1.3m new Rock shares and £100,000 in cash.

Rock is financing the deal by a one-for-three rights issue of 6.21m ordinary shares at 21.5p, which will raise about £1.2m after expenses. The balance of the rights issue proceeds will be used mainly as working capital in VF Engineering, Fourth Quarter's presently under-capitalised wholly-owned subsidiary which manufacturers pressure vessels.

Rock is presently involved *solely with the distribution of* engineers' consumable supplies through the small tools and van-stock divisions of its subsidiary, Rock Merchanting.

Fourth Quarter has reported an operating loss for three of the *last financial* years, but during this time VF Engineering has radically changed from being a sub-contractor to a product-based company.

Standard Chartered director resigns

By David Lascelles, Banking Correspondent

Standard Chartered announced yesterday that Mr Stuart Tarrant, the chief financial officer of the banking group and a member of its board, *had resigned.*

In a carefully worded statement, the bank said: "The resignation has been agreed amicably in the light of Mr Tarrant's expressed wish to seek a new challenge."

The statement went on to deny suggestions that Mr Tarrant had voted against the *Standard board's decision* to reject the recent £1.3bn take-over bid by Lloyds Bank.

"There is no truth," it said, "in recent speculation that the Standard Chartered board was not unanimous in making *its recommendations to share*holders to reject the recent bid by Lloyds Bank." The statement did not elaborate on the reasons behind Mr Tarrant's departure.

A spokesman for the bank *said he could add nothing, and* Mr Tarrant declined to comment on the reasons when contacted at his home.

Mr Michael McWilliam, Standard's chief executive, said last night that a successor to Mr Tarrant would be appointed shortly. An announcement will also be made in about a week's time about the appointment to the board of the Far Eastern investors who rescued Standard from the takeover by buying large blocks of stock.

Mr Tarrant had been Standard Chartered's chief financial officer for six years. He said yesterday that he did not have a specific appointment in view, but would be investigating various possibilities.

Hollis shares suspended prior to expansion

By David Goodhart

Hollis Brothers, the timber and educational supplies business which is 82 per cent owned by Mr Robert Maxwell's Pergamon Holdings, is set to expand through the acquisition of certain Pergamon businesses.

Hollis, which was suspended yesterday at 65p, made a pre-tax profit last year of £730,000 on turnover of £52.4m. One of its joint managing directors is Mr Kevin Maxwell son of Mr Robert Maxwell.

No details of the size or nature of the acquisitions were released yesterday, but the circular to shareholders—with those details—should be available by the middle of next week.

This would be the second "divestment" by Pergamon this year.

Dixons

Mr Stanley Kalms, chairman of Dixons, has sold 500,000 shares in the electrical retailing group. The price was not disclosed but Dixons shares closed last night at 332p, up 2p on the day.

WPP grows further with £7m purchase

BY LIONEL BARBER

WPP Group, the fast-growing sales promotion company, yesterday announced its third acquisition in the past four weeks and said it was looking at further purchases.

The group is buying **Oakley Young Associates,** a Leicester-based design and graphics company, in a deal worth up to £7.2m depending on OYA's profits performance over the next five years. An initial payment of £1m cash will be made on completion.

OYA specialises in catalogue, point of sale and promotional design. Its clients include Boots, Currys, Foberge and Sainsbury and Burton Group.

Founded in 1974, OYA reported pre-tax profits, before directors' non-recurring remuneration, of £250,000 on £3m *turnover for the year ended* June 1986. Net tangible assets amounted to £365,000.

Last week, WPP announced a sharp rise in profits and turnover for the six months to June 1986, and unveiled plans for a one-for-four rights issue to raise £7m, as well as a merger with Grass Roots Partnership, a privately-owned employee motivation and incentive business.

Formerly a shopfitting manufocturer known as Wire and Plastics Products, WPP has become *predominantly* a sales promotion business since the arrival in May 1985 of a former Saatchi & Saatchi finance director, Mr Martin Sorrell, and a stockbroker, Mr Preston Rabl.

Mr Sorrell said yesterday that he and Mr Rabl had completed six deals since their arrival. The group was now looking at expanding its marketing services, both in the UK and overseas. WPP shares rose 2p to close at 460p.

WPP declared interim pre-tax profits of £450,000 (£157,000) on turnover of £4.46m (£1.96m) last week.

Mr Paul Oakley and Mr David Young, the founders of OYA who jointly own 90 per cent of the company, are entering service contracts with WPP, along with other senior executives.

Aspen buys USM rival

BY LIONEL BARBER

Aspen Communications, the print, video and cellular telephone group, yesterday announced an agreed £6.2m bid for its USM rival **Spafax Television Holdings** which Aspen said would create the largest corporate video production group in the UK.

Spafax, which joined the USM in January 1985, has ICI, Hanson Trust, Rank Hovis McDougall, Renault and Sears Holdings among its clients in the fast-growing corporate video market, estimated to be worth between £75m and £100m in the UK.

Aspen is also a recent USM debutante, joining the market a year ago in a placing which valued the company at £8.4m. Pre-tax profits for 1985 amounted to £1.11m (1984: £634,000).

Aspen said yesterday that it expected interim pre-tax profits to June 1986 to be not less than £920,000 on turnover of £7.42m (£3.88m), with an interim dividend of 1.3p (1p in 1985).

Aspen, which has received irrevocable undertakings amounting to 57 per cent is offering 30 ordinary shares for every 63 in Spafax. On the basis of last night's closing price for Aspen, down 5p to 338p, the offer values Spafax, up 17p to 150p, at 160.9p per share. There is a cash alternative of 150p per share.

Spafax appeared to be suffering growing pains when it declared pre-tax profits of £203,000 (£227,000) for the six months to March 1986 on a 24.9 per cent rise in turnover to £1.16m. Spafax said the fall in profits was due to faster spending on the core business of making corporate videos.

But Spafax also said that it had won a two year contract to supply all of British Airways with its in-flight video entertainment in a deal worth £500,000 a year.

Full acceptance of Aspen's paper offer will result in issuing 1.91m new shares, representing around 20 per cent of the enlarged share capital.

Acatos and Hutcheson

Acatos and Hutcheson, Britain's second biggest producer of edible oils after Unilever, is coming to market with an offer for sale of 4.68m ordinary shares at 180p each valuing the company at £48.3m.

Of the shares on offer, some 2.7m are coming from institutional investors with the rest raising £2.5m for the company.

On a profits forecast of £6.7m for the current year to end September, the offer is pitched with a prospective earnings multiple of 10.7. The yield is 4.6 per cent.

The full prospectus and detailed story appeared in yesterday's edition, but owing to technical difficulties the following comment was omitted in some copies.

● comment

Acatos must be one of the most reluctant debutants the stock market has seen in a long time. Chairman Ian Hutcheson has achieved a notable success in bringing his company through a period of severe restructuring in the edible oils industry: alone among the independents, Acatos now vies with the multinationals as a leader in its field. Probably Mr Hutcheson would have preferred to be left alone to tackle the next tricky phase, but the institutions that backed him in his earlier days wanted to realise some of their profits. The cynic might suggest they are getting out while the going is good, for there is little doubt that the bulk oil business which still accounts for nearly half Acatos's sales faces severe buffeting in the months ahead as new capacity in the industry comes on stream. That might be to take too gloomy a view: Acatos has plenty of rationalisation gains yet to come through and meanwhile is expanding in the higher added-value parts of its business. It is nevertheless stuck for now with its commodity product tag and a commodity product rating, and with little among the sales of marge and bottles of oil to excite a cautious market, the queues next Tuesday seem destined to be short.

IN BRIEF

HANSON TRUST plans to spend about A$70m (£29.8m) converting its Australian titanium dioxide plant from the sulphate to the chloride process. Sir Gordon White, chairman of Hanson Industries in the US, said that the Australian company (SCM Chemicals) would increase its capacity at the new plant to 50,000 tons a year.

ST ANDREW TRUST, had a net asset value of 184.6p at end-June 1986 against 135.9p a year earlier after deducting prior charges, and 185.9p (137p) at market value. The interim dividend is lifted to 1.25p (1p) partly to reduce disparity and directors forecast total dividends for the year of not less than 3.2p (2.9p). Earnings came out at 1.49p (1.19p). Net profit for the six months rose to £526,000 (£420,000).

ASHDOWN INVESTMENT Trust is omitting interim dividend for half year ended May 31, 1986 in view of offer from British Empire Securities and General Trust. Total revenue for period £1.08m (£983,000), and net balance £405,000 (£523,000) after tax £248,000 (£264,000). Compensation paid on termination of investment management agreement with Schroder, £632,000 charged as extraordinary item. Earnings per share 1.23p (1.59p). Net asset value 196.6p (184.1p) after prior charges at par.

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Bristol & West BUILDING SOCIETY

£100,000,000

Floating Rate Notes 1992

Notice is hereby given that the Rate of Interest for the three month Interest Period commencing on July 22, 1986 has been fixed at 10⅛% p.a. and that the interest payable on the relevant Interest Payment Date, October 22, 1986, in respect of Coupon No. 3 will be £128.39.

NatWest Investment Bank Limited

July 1986

CITICORP OVERSEAS FINANCE CORPORATION N.V.

(Incorporated with limited liability in the Netherlands Antilles)

U.S.$100,000,000 Guaranteed Extendible Notes due August 21, 1996

Unconditionally guaranteed by

CITICORP

Notice is hereby given that pursuant to Condition 3 of the Notes, the new Rate of Interest for the period August 21, 1986 to August 20, 1988, will be fixed by the Company and notice of the new Rate of Interest will be published on August 7, 1986.

By: Citibank, N.A.
July 24, 1986

CITIBANK

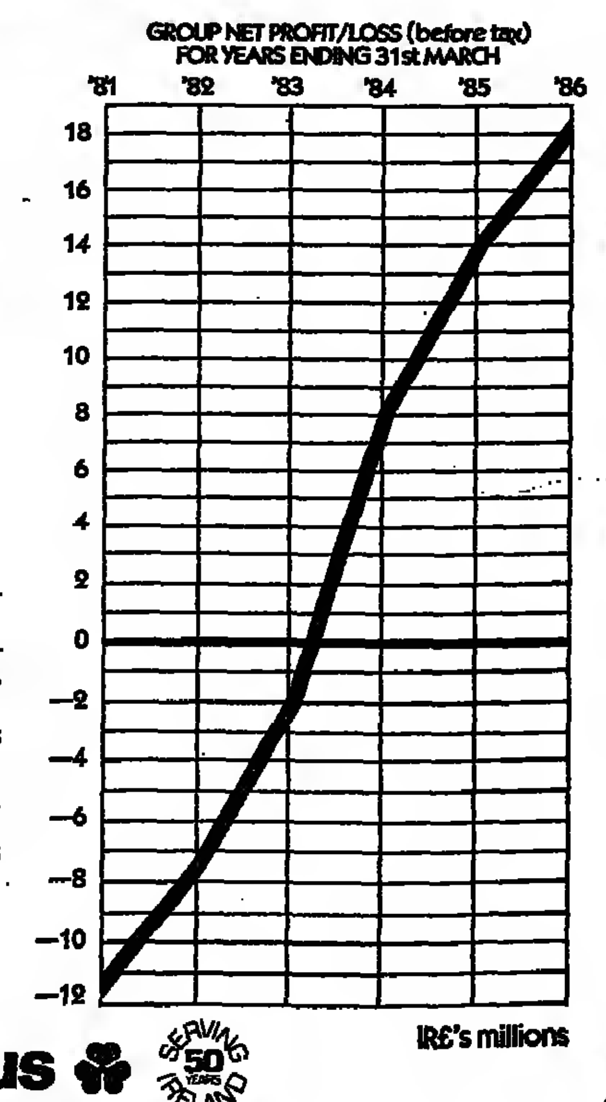
Aer Lingus returns record profits in Jubilee Year

- Record net profit of IR£18.2 million (+27% on previous year)
- Return on capital employed of 12%
- Improved results on North Atlantic route with first operating profit for 14 years.
- Ancillary activities operating profit of IR£28.3 million
- 2¼ million passengers carried (+3% on previous year)

FINANCIAL SUMMARY

	1985/86 IR£'000	1984/85 IR£'000	% Var.
Operating revenues	536,538	499,095	+8
Group operating profit	29,440	26,558	+11
Net profit (before tax)	18,220	14,343	+27
Net profit (after tax)	16,597	11,638	+43
Extraordinary items	6,302	(3,446)	
Net profit after extraordinary items	22,899	8,192	
Debt as % of total assets	55%	66%	

GROUP NET PROFIT/LOSS (before tax) FOR YEARS ENDING 31st MARCH



Aer Lingus

SERVING 50 YEARS IRELAND

NOTICE OF REDEMPTION
AND TERMINATION OF CONVERSION RIGHTS
To the Holders of

ITO-YOKADO CO., LTD.

(Kabushiki Kaisha Ito-Yokado) (the "Company")

5⅜% Convertible Debentures Due August 31, 1993 (the "Debentures")

NOTICE IS HEREBY GIVEN, that the following coupon Debentures and the principal amount indicated below of the following registered Debentures of the Company have been drawn for redemption on August 31, 1986 (the "Redemption Date") for account of the Sinking Fund at a Redemption Price (the "Redemption Price") of 100% of the principal amount thereof.

SERIAL NUMBERS OF COUPON DEBENTURES BEARING THE PREFIX M

10216	16659	29904	32704	42269	48822	48930	49037	48211	49349	49451	49560	49721
10231	16663	29908	32709	42277	48834	48947	49038	49253	49350	49456	49580	49724
10234	16671	29910	32717	42284	48838	48963	49108	48254	49353	49480	49592	49750
10304	16677	29916	32739	42285	48840	48969	49115	49262	49358	49486	49631	49752
10309	16684	29922	32924	48736	48841	48972	49122	49267	49365	49489	49637	49757
12764	16697	29926	32934	48765	48847	48976	49134	49273	49394	49492	49641	
16511	16702	29930	32982	48798	48853	49004	49135	49281	49399	49500	49650	
16518	16713	29936	41982	48777	48867	49020	49138	49287	49401	49520	49651	
16522	16727	29950	42038	48791	48871	49026	49144	49299	49408	49529	49656	
16530	29224	32615	42043	48792	48906	49031	49145	49302	49412	49533	49658	
16538	29233	32617	42045	48793	48910	49044	49148	49317	49427	49546	49668	
16540	29237	32621	42053	48795	48912	49065	49149	49324	49429	49556	49676	
16638	29245	32691	42054	48805	48923	49082	49153	49329	49438	49560	49678	
16645	29247	32698	42056	48808	48933	49088	49156	49331	49445	49571	49689	
16646	29249	32698	42065	48811	48938	49090	49162	49335	49449	49576	49701	

FULLY REGISTERED DEBENTURES

Serial Number	Principal Amount to be Redeemed	Serial Number	Principal Amount to be Redeemed	Serial Number	Principal Amount to be Redeemed	Serial Number	Principal Amount to be Redeemed	Serial Number	Principal Amount to be Redeemed
RM 545	$1,000	RV 412	$1,000	RV 1111	$3,000	RX 1187	$1,000	RX 1351	$1,000
RM 551	1,000	RV 416	1,000	RV 1112	2,000	RX 1189	1,000	RX 1352	1,000
RM 1007	1,000	RV 418	1,000	RV 1113	1,000	RX 1191	2,000	RX 1353	1,000
RM 1457	1,000	RV 419	1,000	RV 1114	2,000	RX 1192	2,000	RX 1355	2,000
RM 1469	1,000	RV 420	1,000	RV 1116	1,000	RX 1193	1,000	RX 1357	1,000
RM 1474	1,000	RV 421	2,000	RV 1117	2,000	RX 1194	1,000	RX 1358	1,000
RM 1650	1,000	RV 422	1,000	RV 1118	1,000	RX 1195	1,000	RX 1362	1,000
RM 1655	1,000	RV 423	1,000	RV 1120	1,000	RX 1196	1,000	RX 1363	2,000
RM 1669	1,000	RV 424	1,000	RV 1121	1,000	RX 1197	2,000	RX 1365	2,000
RM 1676	1,000	RV 425	1,000	RV 1122	2,000	RX 1198	1,000	RX 1366	1,000
RM 1677	1,000	RV 428	2,000	RV 1123	1,000	RX 1199	2,000	RX 1367	1,000
RM 1687	1,000	RV 434	1,000	RV 1126	3,000	RX 1215	2,000	RX 1368	2,000
RM 1737	1,000	RV 435	1,000	RV 1127	1,000	RX 1217	3,000	RX 1370	1,000
RM 1738	1,000	RV 436	1,000	RV 1130	2,000	RX 1218	1,000	RX 1371	1,000
RM 1746	1,000	RV 452	2,000	RV 1135	1,000	RX 1219	1,000	RX 1372	1,000
RM 1756	1,000	RV 453	2,000	RV 1138	1,000	RX 1221	2,000	RX 1375	1,000
RM 1760	1,000	RV 454	1,000	RV 1139	1,000	RX 1223	3,000	RX 1376	2,000
RM 1762	1,000	RV 456	1,000	RV 1141	2,000	RX 1224	2,000	RX 1377	1,000
RM 1767	1,000	RV 457	2,000	RV 1144	1,000	RX 1225	1,000	RX 1379	2,000
RM 1768	1,000	RV 458	1,000	RV 1145	1,000	RX 1227	2,000	RX 1381	2,000
RM 1773	1,000	RV 556	1,000	RV 1147	1,000	RX 1228	1,000	RX 1383	2,000
RM 1785	1,000	RV 558	2,000	RV 1149	1,000	RX 1229	2,000	RX 1385	1,000
RM 1796	1,000	RV 578	1,000	RV 1151	1,000	RX 1230	1,000	RX 1386	3,000
RM 1805	1,000	RV 579	3,000	RV 1153	1,000	RX 1231	2,000	RX 1388	1,000
RM 1807	1,000	RV 580	1,000	RV 1154	1,000	RX 1232	3,000	RX 1389	1,000
RM 1837	1,000	RV 581	1,000	RV 1155	1,000	RX 1233	2,000	RX 1391	1,000
RM 1843	1,000	RV 594	1,000	RV 1157	1,000	RX 1234	4,000	RX 1393	1,000
RM 1850	1,000	RV 598	1,000	RV 1158	2,000	RX 1236	1,000	RX 1396	5,000
RM 1853	1,000	RV 603	2,000	RV 1159	1,000	RX 1238	1,000	RX 1397	1,000
RM 1854	1,000	RV 604	1,000	RV 1161	1,000	RX 1241	2,000	RX 1398	2,000
RM 1856	1,000	RV 605	2,000	RV 1163	2,000	RX 1242	1,000	RX 1401	1,000
RM 1861	1,000	RV 606	1,000	RV 1164	1,000	RX 1243	2,000	RX 1402	3,000
RM 1877	1,000	RV 607	1,000	RV 1166	1,000	RX 1244	1,000	RX 1404	2,000
RM 1879	1,000	RV 615	1,000	RV 1167	2,000	RX 1245	3,000	RX 1405	1,000
RM 1886	1,000	RV 621	1,000	RV 1168	1,000	RX 1246	1,000	RX 1407	1,000
RM 1900	1,000	RV 622	3,000	RV 1169	1,000	RX 1247	2,000	RX 1408	1,000
RM 1901	1,000	RV 628	2,000	RV 1170	1,000	RX 1248	1,000	RX 1409	1,000
RM 1902	1,000	RV 629	1,000	RV 1172	1,000	RX 1249	4,000	RX 1410	4,000
RM 1907	1,000	RV 630	1,000	RV 1174	1,000	RX 1250	2,000	RX 1411	2,000
RM 1910	1,000	RV 631	1,000	RV 1175	1,000	RX 1251	2,000	RX 1414	3,000
RM 1913	1,000	RV 632	2,000	RV 1176	1,000	RX 1253	2,000	RX 1415	2,000
RM 1942	1,000	RV 744	1,000	RV 1178	1,000	RX 1255	2,000	RX 1417	1,000
RM 1956	1,000	RV 745	1,000	RV 1180	2,000	RX 1256	1,000	RX 1419	2,000
RM 1962	1,000	RV 747	1,000	RV 1181	1,000	RX 1258	1,000	RX 1424	1,000
RM 1963	1,000	RV 748	1,000	RV 1183	1,000	RX 1259	1,000	RX 1425	2,000
RM 1985	1,000	RV 844	1,000	RV 1186	1,000	RX 1260	1,000	RX 1426	2,000
RM 1997	1,000	RV 969	1,000	RV 1188	1,000	RX 1261	1,000	RX 1427	1,000
RM 2000	1,000	RV 970	1,000	RV 1190	1,000	RX 1263	2,000	RX 1428	1,000
RM 2012	1,000	RV 971	2,000	RV 1191	1,000	RX 1274	3,000	RX 1431	1,000
RM 2035	1,000	RV 972	1,000	RV 1193	1,000	RX 1275	2,000	RX 1432	1,000
RM 2040	1,000	RV 973	1,000	RV 1195	1,000	RX 1276	1,000	RX 1433	1,000
RM 2041	1,000	RV 974	1,000	RV 1199	1,000	RX 1277	1,000	RX 1434	2,000
RM 2084	1,000	RV 976	1,000	RV 1200	2,000	RX 1278	1,000	RX 1435	1,000
RM 2088	1,000	RV 977	1,000	RV 1201	2,000	RX 1280	2,000	RX 1438	2,000
RM 2092	1,000	RV 1015	1,000	RV 1202	1,000	RX 1282	2,000	RX 1439	1,000
RM 2093	1,000	RV 1016	1,000	RV 1203	1,000	RX 1283	1,000	RX 1440	1,000
RM 2096	1,000	RV 1017	3,000	RV 1206	1,000	RX 1286	2,000	RX 1441	2,000
RM 2097	1,000	RV 1018	2,000	RV 1209	1,000	RX 1287	3,000	RY 481	5,000
RM 2099	1,000	RV 1020	1,000	RV 1211	1,000	RX 1290	2,000	RY 482	4,000
RM 2104	1,000	RV 1031	1,000	RV 1213	1,000	RX 1291	2,000	RY 484	3,000
RM 2119	1,000	RV 1032	1,000	RV 1214	2,000	RX 1294	1,000	RY 485	1,000
RM 2122	1,000	RV 1034	1,000	RV 1219	1,000	RX 1296	2,000	RY 486	3,000
RM 2124	1,000	RV 1035	1,000	RV 1220	1,000	RX 1297	2,000	RY 487	1,000
RM 2125	1,000	RV 1036	1,000	RV 1226	1,000	RX 1298	1,000	RY 488	2,000
RM 2128	1,000	RV 1037	1,000	RV 1227	1,000	RX 1299	2,000	RY 492	4,000
RM 2135	1,000	RV 1039	2,000	RV 1232	1,000	RX 1302	4,000	RY 493	3,000
RM 2151	1,000	RV 1040	2,000	RV 1233	1,000	RX 1303	2,000	RY 494	4,000
RU 206	10,000	RV 1045	1,000	RV 1234	2,000	RX 1306	1,000	RY 622	4,000
RU 207	5,000	RV 1046	2,000	RV 1236	1,000	RX 1307	1,000	RY 623	5,000
RU 208	3,000	RV 1048	1,000	RV 1237	1,000	RX 1308	4,000	RY 682	4,000
RU 209	5,000	RV 1049	1,000	RV 1238	1,000	RX 1310	1,000	RY 683	5,000
RU 238	7,000	RV 1050	1,000	RV 1243	1,000	RX 1311	2,000	RY 684	3,000
RU 260	1,000	RV 1051	1,000	RV 1245	1,000	RX 1312	2,000	RY 685	1,000
RU 273	4,000	RV 1052	2,000	RV 1248	2,000	RX 1313	2,000	RY 686	1,000
RU 283	2,000	RV 1057	1,000	RV 1250	1,000	RX 1314	3,000	RY 687	2,000
RU 287	5,000	RV 1059	1,000	RV 1251	1,000	RX 1316	2,000	RY 706	5,000
RU 301	5,000	RV 1060	2,000	RV 1252	1,000	RX 1317	1,000	RY 719	6,000
RU 302	3,000	RV 1061	1,000	RV 1254	1,000	RX 1318	2,000	RY 720	3,000
RU 303	7,000	RV 1062	2,000	RX 385	3,000	RX 1319	1,000	RY 727	1,000
RU 307	3,000	RV 1064	1,000	RX 387	4,000	RX 1320	1,000	RY 728	5,000
RU 311	113,000	RV 1067	1,000	RX 396	2,000	RX 1321	1,000	RY 729	1,000
RU 315	7,000	RV 1069	2,000	RX 399	4,000	RX 1322	2,000	RY 730	1,000
RU 366	3,000	RV 1071	1,000	RX 637	1,000	RX 1323	1,000	RY 731	2,000
RU 367	7,000	RV 1074	1,000	RX 638	1,000	RX 1324	2,000	RY 732	2,000
RU 374	8,000	RV 1076	1,000	RX 640	1,000	RX 1325	2,000	RY 733	5,000
RU 380	10,000	RV 1081	1,000	RX 1008	1,000	RX 1326	1,000	RY 734	5,000
RU 384	6,000	RV 1082	1,000	RX 1030	1,000	RX 1327	2,000	RY 735	1,000
RU 385	7,000	RV 1083	1,000	RX 1037	1,000	RX 1329	2,000	RY 736	3,000
RU 386	5,000	RV 1085	2,000	RX 1037	1,000	RX 1331	1,000	RY 737	5,000
RU 401	11,000	RV 1086	1,000	RX 1084	2,000	RX 1332	3,000	RY 742	5,000
RU 408	3,000	RV 1087	2,000	RX 1096	2,000	RX 1334	3,000	RY 743	2,000
RU 441	163,000	RV 1088	1,000	RX 1098	3,000	RX 1335	1,000	RY 822	6,000
RU 493	17,000	RV 1089	2,000	RX 1170	2,000	RX 1336	2,000	RY 940	5,000
RU 504	9,000	RV 1091	1,000	RX 1174	1,000	RX 1337	2,000	RY 941	4,000
RU 505	5,000	RV 1095	2,000	RX 1175	1,000	RX 1338	2,000	RY 942	2,000
RU 506	5,000	RV 1096	1,000	RX 1176	1,000	RX 1340	3,000	RY 943	4,000
RU 507	5,000	RV 1098	1,000	RX 1177	1,000	RX 1341	2,000	RY 944	2,000
RU 508	3,000	RV 1099	1,000	RX 1178	2,000	RX 1343	3,000	RY 1284	1,000
RU 509	11,000	RV 1101	1,000	RX 1179	1,000	RX 1344	1,000	RY 1285	6,000
RU 510	4,000	RV 1102	1,000	RX 1180	1,000	RX 1346	1,000	RY 1286	1,000
RU 511	5,000	RV 1104	2,000	RX 1182	1,000	RX 1347	2,000	RY 1287	3,000
RU 512	6,000	RV 1106	1,000	RX 1183	2,000	RX 1349	1,000		
RU 513	6,000	RV 1110	2,000	RX 1185	1,000	RX 1350	2,000		

Payment of the Redemption Price will be made upon presentation and surrender of the Debentures called for redemption in whole or in part (in the case of coupon Debentures, together *with all coupons appertaining thereto maturing after August 31, 1986), on or after September 2,* 1986 at the Corporate Trust Office of The Bank of Tokyo Trust Company in New York City, 100 Broadway, New York, N.Y. 10005 or at the principal office in the city indicated of any of the following Paying Agents: The Bank of Tokyo Trust Company in London; The Bank of Tokyo, Ltd. in Brussels; Morgan Guaranty Trust Company of New York in Brussels.

Upon surrender of Debentures to be redeemed in part only, a new Debenture or Debentures in principal amount equal to the unredeemed portion will be issued.

From and after the Redemption Date, interest on the Debentures, or portion thereof, to be redeemed for this Sinking Fund will cease to accrue. Interest maturing on August 31, 1986 will be paid in the usual manner.

CONVERSION OF DEBENTURES INTO COMMON STOCK

The Debentures may be converted into Common Stock of the Company or, at the option of the holders, into American Depositary Receipts, at the conversion price (with Debentures taken at their principal amount translated into Japanese yen at the rate Yen 213.50 equals U.S. $1) of Yen 682.30 per share of Common Stock. The Company's Common Stock and American Depositary Receipts are issuable only in Units of 1,000 shares of Common Stock or integral multiples thereof. A cash adjustment will be made for any fraction of a Unit.

Each Debentureholder who wishes to convert his Debentures should deposit his Debentures (in the case of coupon Debentures, together with all unmatured coupons) and a written notice to convert (the form of which notice is available from any of the following) with Morgan Guaranty Trust Company of New York, at its corporate trust office in New York City, 30 West Broadway, New York, N.Y. 10015 or with any of the Paying Agents specified above. SUCH CONVERSION RIGHTS WILL TERMINATE AT THE CLOSE OF BUSINESS ON AUGUST 28, 1986 AS TO ALL DEBENTURES OR PORTIONS THEREOF REDEEMABLE ON THE REDEMPTION DATE. BASED ON THE CONVERSION PRICE OF YEN 682.30 PER SHARE, A CLOSING PRICE OF YEN 3,960 FOR THE COMMON STOCK ON THE TOKYO STOCK EXCHANGE ON JULY 7, 1986, AND A CURRENT RATE OF EXCHANGE ON JULY 7, 1986 OF YEN 159.15 = U.S. $1, THE HOLDER OF A DEBENTURE IN THE PRINCIPAL AMOUNT OF U.S.$1,000 CONVERTING ON THAT DATE WOULD HAVE RECEIVED UNITS (TOGETHER WITH A CASH ADJUSTMENT FOR A FRACTION OF A UNIT) HAVING A VALUE OF U.S.$7,785.93. THE U.S. DOLLAR EQUIVALENT OF CONVERSION ON A LATER DATE WILL BE AFFECTED BY CHANGES IN THE PRICE OF THE COMMON STOCK AND IN THE RATE OF EXCHANGE, AND BY ANY ADJUSTMENT OF THE CONVERSION PRICE.

ITO-YOKADO CO., LTD.
By: The Bank of Tokyo Trust Company as Trustee

July 17, 1986

EQUIPU

Office Equipment and Business Systems

Summary of Results for year ended 30th April 1986

	1986	1985
Group Turnover	£23,637,266	£15,407,395
Group Operating Profit	£1,876,830	£1,696,127
Pre-tax Profit	£1,240,098	£1,403,726
Earnings per Share	13.49p	18.94p
Total Dividend	5.0p	4.5p

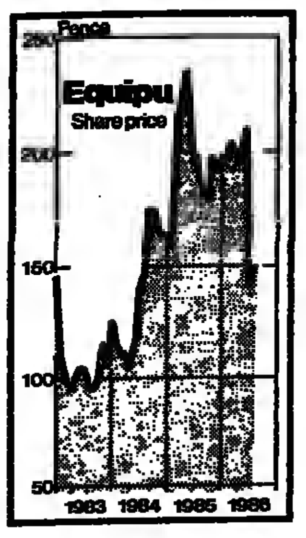
"Whilst we have experienced problems during the year, there are many positive developments which make the Directors retain their optimism for the future."

Philip G. Bradshaw, Chairman

EQUIPU PLC, 184 HOTWELL ROAD, BRISTOL BS8 4SG

UK COMPANY NEWS

Equipu lower at £1.2m after second half decline



A DROP in second-half profits of £246,000 at the Equipu office equipment group, outweighed the improvement shown at midway. Consequently, for the year ended April 30 1986 the pre-tax balance was down from £1.4m to £1.24m, when the directors were expecting a substantial improvement.

Turnover for the year expanded from £15.4m to £23.64m, but the operating profit only rose £181,000 to £1.88m. The dividend is lifted to 5p (4.5p) net with a final of 3.4p.

Mr P. G. Bradshaw, chairman, said there were several factors contributing to the disappointing results. Purdie and Kirkpatrick had produced an unsatisfactory profit. However, after a reorganisation in the second half of last year, it was trading more profitably.

Trading in the fourth quarter, while relatively satisfactory, did not produce the higher sales expected. Reduction of capital allowances last April was a contributing factor.

The chairman stated that problems had arisen in the computer supplies company acquired in November; contrary to expectations at the time it traded at a loss for the year. Equipu BCG produced a profit far less than predicted by management accounts.

A new financial director was appointed in February and stricter financial controls and management systems were introduced.

Although there were problems over the year, Mr Bradshaw said there were many positive developments which led the directors to retain their optimism for the future.

The pre-tax profit was struck after interest charges of £637,000 (£292,000). After tax £308,000 (£369,000) the net profit came to £932,000 (£1.04m) for earnings of 13.49p (18.94p). There was an extraordinary charge £526,000.

● comment

Rumours had already circulated that the Equipu results were *disappointing so the news that* profits had fallen by only £160,000 was something of a relief, pushing the shares up 10p to 150p. The reasons cited for the decline add up to a rather disappointing record of managing recent acquisitions. However, the stricter financial controls imposed sohuld enable Equipu to put the disappointing second half behind it. Although the selling and leasing of photocopiers has traditionally been the main moneyspinner, the capital allowance beom is now over and chairman Philip Bradshaw is anxious to build up the computer-related division. That may be done with the help of an acquisition, financed from the proceeds of the sale of the leasing company planned this year. Pre-tax profits of £1.8m look achievable, which after a tax charge of 32 per cent, puts the shares on a p/e of 8.5. It is up to Equipu to demonstrate better control of its subsidiaries before the rating can improve.

Blue Arrow to acquire Tanton

Blue Arrow, staff recruitment and office and industrial contract cleaner, has agreed to acquire Tanton and Daughters, a private company that installs and maintains air conditioning systems, and provides general building maintenance services.

The initial consideration is £750,000, to be satisfied by £500,000 cash and £250,000 by the issue to the vendors of 68,120 new ordinary shares in Blue Arrow. The new ordinary will rank pari passu in all respects with the existing share capital of Blue Arrow, but will not rank for the interim dividen dof 0.6p declared on June 30 1986.

Blue Arrow shares, formerly dealt in on the USM, have now been admitted to the Official List.

Bensons Crisps in profit at halfway

FOR THE first time in three years, the USM quoted Bensons Crisps was in the black at the halfway stage, and the directors said they were confident that the improvement in performance would continue.

New products would be launched in the second half, which produced the greater share of the year's earnings.

For the 26 weeks ended May 31 1986 turnover came to £4.73m, against £4.9m for 27 weeks, from which a trading profit of £69,100 (£67,600) was earned.

There were no exceptional items this time (£24,700) and interest was cut to £58,100 (£91,200), which left a pre-tax profit of £11,000 for the period, compared with a loss of £48,300.

The company rationalised its manufacturing resources and closed the Great Harwood factory crisp manufacturing line at the end of April.

Benefits of the action would flow through to future earnings, the directors stated.

Proceeds of the £740,000 rights issue made in February were used initially to reduce bank borrowings.

Cost of closing the line at Great Harwood came to £391,100 and was charged as an extraordinary debit.

In the year 1984-85 the group recovered from a loss of £837,000 to a profit of £204,000.

Plasmec returns to black with £140,000 midway

Plasmec has started its recovery and for the half-year ended June 30 1986 turned in a pre-tax profit of £140,000, from turnover of £4.17m.

The company, specialist manufacturer in plastics and mechanical engineering industries, achieved a turnover of £3.5m in the corresponding period. But a loss of £40,000 transpired and that had accelerated to £570,000 by the year-end, a downturn from the profit of £387,000 earned in 1983-84.

Operating profit advanced from £57,000 to £282,000 in the half year, reflecting a marked recovery of the restructured operations at both Maidstone and Farnham. Interest charges were £142,000 (£97,000).

The interim dividend is 0.7p net. Last year the payment was 1p, but there was no final. Earnings were 3.04p per share, against a loss of 0.9p.

COMPANY NEWS IN BRIEF

YEARLING BONDS totalling £2.75m at 9¹¹⁄₁₆ per cent, redeemable on July 29, 1987, have been issued by the following local authorities: Basingstoke & Deane Borough Council £0.25m; East Lindsey District Council £0.5m; Hart DC £0.5m; Cheltenham (Borough of) £0.5m; Lliw Valley (Borough of) £0.5m; Tamworth (Borough of) £0.5m.

SOVEREIGN OIL and Gas has had 62.48 per cent (6.56m shares) of its rights issue of up to 10.5m new ordinary taken up. The balance has been taken up by the four underwriting shareholders pro rata to their original holdings.

JONES STROUD has placed through the market 17.8 per cent of Fothergill & Harvey, the industrial textile manufacturer, leaving it with 4.8 per cent. Mr P. L. Jones, chairman of Jones Stroud, will be resigning as a director of Fothergill.

WHITECROFT has extended its £25m contested bid for **Elcce Holdings** to August 6 after receiving acceptances covering 1.5 per cent of the shares by the first closing date.

SUTER, the acquisitive manufacturing and distribution group, has increased from 6.6 per cent to 10.18 per cent its stake in **Thermax Holdings**, the maker of toughtened glass products.

TRANSATLANTIC Insurance Holdings, the 58 per cent owned subsidiary of Liberty Life, the third largest life assurance company in South Africa, now controls 88 per cent of Continental and Industrial Trust. Last month, Transatlantic bid for the 75 per cent of Continental it did not already own, but said it wished to keep the listing and was not interested in 100 per cent control. About 900 shareholders will remain holders of the remaining 12 per cent of Continental, an investment trust with net assets of £153m.

BLACKS LEISURE Group: Since November 1985 Oakhill Investments, a Guernsey-based investment company, has sold a large part of its holding in Blacks and now holds about 2.6m shares (4.7 per cent).

HAROLD INGRAM has agreed to buy 17 Bloom Street, Manchester for £250,000 in shares. The property is used as a warehouse and has planning permision for use as an apartment hotel.

RILEY LEISURE: Establishment Plambuit and Establishment Lorigan, both wholly-owned by a settlement created by the late Mrs Elizabeth McCleary Davis, have acquired 1m (6.3 per cent) ordinary Riley shares. Mr Alan Deal, Riley chairman, said the two establishments were owned by the same Liechtenstein-based group. Recent share purchases had brought its total holding to over the 5 per cent level. Mr Deal had contacted the group when it first took a holding in Riley and was told it was merely for investment purposes.

SAC International, a design engineering group which came to the Unlisted Securities Market last December, is buying *Focus*, which provides technical authorship, graphical and illustrative support services, for £700,000 through a vendor placing of shares. Focus, which had pre-tax profits of £86,000 in the year to February on £1.07m turnover, will become part of SAC's existing technical publications division.

NEW TOKYO Investment Trust incurred pre-tax losses of £17,000 (profit £253,000) in the six months to June 30 1986. Net asset value improved from 201p to 327p, and adjusted for exercise of warrants came to 317.2p (196.6p). Capital appreciation remained the object of the company. The adjusted loss per share was 0.23p against earnings of 0.77p. Investment income for the six months was down from £387,000 to £217,000. Interest receivable was £35,000 (£67,000). There was a tax

REED INTERNATIONAL'S subsidiary in the US, Cahners Publishing Company, has agreed to buy American Baby Inc which publishes and offers communications services for companies seeking to reach the expectant and new parent market.

CONTRACTS

Staines office complex

JM JONES AND SONS (HOLDINGS) has won a £7m contract to develop a high-tech and office complex at the Pine Trees, Staines for Becontree Estates. The year-long project totals around 13,500 sq metres of space constructed to a high specification. Four two-storey high technology units will be built to a shell and core condition, enabling tenants to design their own standards of finish. A three-storey office building will also be provided, equipped with full air conditioning and featuring fully accessed raised floors and suspended ceilings with recessed lighting. Externally, a glazed atrium will overlook a fully landscaped podium courtyard. All buildings will be clad in high quality red facing brickwork with energy-efficient green tinted double glazing.

★

The £7.5m design and build contract to provide a new headquarters building and distribution centre for DAF Trucks (GB) at Thame, Oxfordshire, has been awarded to **WILLETT** of London. The facilities will include offices, showroom, training centre, workshops and warehouse totalling over 150,000 sq ft as well as extensive lorry and car parking. Willett expects to complete the work in the summer of next year.

Willett has also started work on a £4m design and build contract for a Tesco superstore at New Malden, Surrey. The complex, to include the supermarket shell, road diversions, a petrol station, sports pavilion and playing fields, is part of a development by Trafalgar Brookmount. It is due to be completed next March. Willett is part of the Trafalgar House Group.

★

Under a £3.6m contract **SIR ROBERT McALPINE & SONS** is carrying out infrastructure and phase I building work at Frimley Business Park adjacent to the Farnborough intersection of the M3, for Frimley Business Park Partnership. The preliminary work covers extensive site preparation and includes demolition, reprofiling of the River Blackwater, site access roads, a new link road to the M3 roundabout, the construction of a box culvert and pedestrian footpaths. Building work comprises the construction of two blocks of two-storey office/light industrial units providing a total of 4,459 sq metres gross floor area in seven units. The main works are due for completion in November 1986.

★

A £3m design-and-construct contract for a Class 1000 clean room facility at Chippenham, Wiltshire, has been awarded to **KYLE STEWART** by the Westinghouse Brake and Signal Co. It will be used by Westinghouse subsidiary Westcode Semiconductors for the production of power semiconductors for use in signalling equipment. Work on the project at Avon Works, Foundry Lane, Chippenham, has started and is due for completion within a year. The 40,000 sq ft part-single, part two-storey *building* will be of steel frame construction on piled foundations, with external cladding of brick, metal sheeting and curtain walling. The central area for six clean rooms will be constructed on a subframe inside the main structure, with a deep void above allowing access to a complex building services installation.

★

The **PRACTICAL UNIFORM COMPANY**, Leatherhead, has won a contract to manufacture uniform and protective wear for Sealink British Ferries, the cross-Channel ferry operator. The £1.5m contract entails the management of clothing supply and distribution to SBF's staff all over the country. Miller Rayner Uniforms, merchant navy outfitter, part of the Practical Uniform group, will be responsible for distributing the clothing to individual crew members on board the ships. The order is over a four-year period and involves provision of a variety of garments to the fleet, including boiler suits, anoraks, blousons, shirts and catering wear.

★

A £501,000 contract has been awarded to **KENDRICK CONSTRUCTION** for redevelopment of a supermarket to form a Homemaker store for West Midlands Co-operative Wholesale Society. The work involves re-roofing and cladding, new sales area, coffee bar, offices and car park. The scheme is due to be completed in 19 weeks. A £869,000 contract for Mercian Homes of Shrewsbury covers conversion of Ludlow Cottage Hospital to flats and erection of a further 29 retirement homes and two shops at Quality Square, Ludlow. Contracts have been won for the repair and maintenance of City of Birmingham council homes in areas 2 and 3 which include Kingstanding, Castle Vale, Erdington, Yardley and Stechford. The total contract value is £2m and work is to be completed by June 1987. The refurbishment of The Oaks, Merridale Road, Wolverhampton, to form offices with sheltered flat accommodation for Bromford Housing at a cost of £392,000.

★

Contracts worth more than £7m have been awarded to **KYLE STEWART** for construction of warehouses and offices in Hendon and Silvertown. At Garrick Rd, Hendon, work has started on a £4.25m contract for Sears Properties, under which a 9,300 sq metres warehouse and associated offices will be completed next year for use by the Miss Selfridge fashion group. In Factory Rd, Silvertown, work has also started on a £3m design-and-construct contract for Tate and Lyle, for a warehouse and packaging hall of 8,000 sq metres. The contract includes alterations to building to allow silos to be installed.

★

MARPLES INTERNATIONAL has signed a contract with the Property Services Agency (PSA) to design and build a £2.5m Naafi stores at Gibraltar, for completion in March 1987. The company has already set up joint venture companies with a local developer. One of these has an exclusive option on the Rosia Bay and Engineer Battery development, which includes a 150-bedroom hotel, 155 apartments, a 60-bedroom aparthotel, and other related tourist activities. Marples International has also established its own local company—Marples Gibraltar Ltd—to carry out the building operations which follow on from these joint venture projects.

★

TROLLOPE & COLLS has been awarded an £8m contract to build a retail, office and residential development at 1 Bessborough Gardens, SW1, by the Crown Estate Commissioners. The development comprises a three-storey building, providing 78,900 sq ft of modern air-conditioned office accommodation, adjacent to the retail and residential element of the scheme. A house, which completes the end of Ponsonby Terrace, just off Bessborough Gardens, is also to be built. Work has started and is due for completion in May 1988. Trollope & Colls is a member of the Trafalgar House Group.

APPOINTMENTS

New chief for Esso

ESSO UK has appointed Mr *David Clayman managing director* of its subsidiary company Esso Petroleum from August 1. It is anticipated that Mr Clayman will be elected to the boards of Esso UK, Esso Petroleum and Esso Exploration and Production UK, on the same date. Mr Clayman succeeds Mr Bob Lintott, who will relinquish his position as managing director on August 1 in order to pursue other business interests. Mr Lintott will remain a director of Esso Petroleum from August 1. Mr Clayman was appointed executive director of Esso Petroleum in 1982 with responsibility for supply, refining and shipping operations, and in January 1983 was elected president of Esso Africa Inc. His current job is manager marketing, petroleum products department of Esso Europe Inc.

★

Mr Christopher Backhouse has been appointed a director of TOWRY LAW AND CO.

★

MOTHERCARE UK has made the following appointments: Mr Alastair Kerr becomes deputy chief executive. He joined Mothercare in August 1976 and was appointed to the board of directors of store operations in April 1985. Mr Arthur Ralley has been made buying director. He was previously with Littlewoods, where he was menswear and childrenswear buying director.

★

Mr Graham Anderson has been appointed director for land and planning by C. H. BEAZER (HOMES WEST). Previously he was land and planning manager of Beazer Homes West.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1985							
1st qtr.	104.7	103.5	104	113.4	133.9	3,138	153.6
2nd qtr.	105.9	104.5	100	115.0	141.4	3,174	161.7
3rd qtr.	106.4	103.7	101	116.3	145.2	3,134	164.4
4th qtr.	108.4	103.5	105	116.6	177.7	3,122	168.2
November	109.4	103.2	106	117.4	164.3	3,114	170.0
December	107.3	103.8	111	117.3	210.4	3,133	162.1
1986							
1st qtr.	109.3	103.2	104	118.0	145.4	3,171	164.6
2nd qtr.				120.0		3,205	175.1
January	108.6	103.0	95	117.0	145.0	3,152	159.7
February	108.8	103.3	105	117.2	140.9	3,161	165.0
March	109.5	103.2	111	119.8	148.6	3,190	168.8
April	110.1	103.4		119.8	152.1	3,200	169.0
May	109.6	103.3		118.2	149.5	3,205	171.1
June				122.0		3,220	185.2

OUTPUT—By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1985							
1st qtr.	103.4	102.9	109.9	103.7	111.0	100.7	13.8
2nd qtr.	103.4	105.0	112.5	105.3	115.9	102.1	12.6
3rd qtr.	104.3	103.3	113.3	103.6	114.4	103.2	17.1
4th qtr.	103.7	102.6	112.5	103.3	111.6	102.8	15.7
November	103.8	101.5	115.3	103.0	112.0	104.0	16.5
December	104.3	103.2	110.9	105.0	110.0	102.0	11.0
1986							
1st qtr.	102.5	102.7	115.0	102.4	106.3	102.7	14.3
January	102.7	102.4	114.1	102.0	108.0	102.0	13.9
February	104.2	102.0	115.8	102.0	106.0	104.0	12.5
March	103.5	103.2	115.1	105.0	106.0	102.0	16.5
April	104.4	101.6	118.6	105.0	105.0	103.0	15.8
May	104.3	102.1	113.3		106.0	101.0	17.2

EXTERNAL TRADE—Indices of export and import volume (1980=100); viable balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn*
1985							
2nd qtr.	120.5	124.5	−124	+1,233	+2,411	97.6	14.33
3rd qtr.	118.3	124.1	−453	+1,672	+1,900	100.2	14.18
4th qtr.	118.9	127.4	−225	+921	+1,383	101.6	15.54
November	118.5	129.6	−214	+112	+649	102.1	15.98
December	119.4	127.8	− 18	+475	+481	101.7	15.54
1986							
1st qtr.	117.4	126.1	−1,400	+328	+1,004	101.0	15.58
2nd qtr.							
January	118.7	120.2	+155	+1,090	+357	101.7	15.60
February	120.7	125.3	−344	+152	+678	100.7	15.80
March	112.7	132.2	−1,211	−714	+330	100.7	15.75
April	122.2	121.9	−265	+435	+285	101.7	15.60
May	120.7	131.4	−606	+ 34	+212	102.2	19.60
June							19.30

FINANCIAL—Money supply M0, M1 and sterling M3, bank advances in sterling to the private sector (three months' growth at annual rate); building societies' net inflow; HP†, new credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank advncs. %	BS inflow £m	HP lending† £m	Base rate %
1985							
2nd qtr.	5.1	22.4	20.4	19.2	1,822	3,998	12.50
3rd qtr.	5.5	15.4	11.6	17.5	1,771	3,874	11.50
4th qtr.	1.4	25.1	17.3	17.7	2,289	3,981	11.50
November	2.0	21.5	20.4	17.6	628	1,095	11.50
December	2.7	29.1	14.2	17.0	865	1,182	11.50
1986							
1st qtr.	6.5	9.8	19.7	12.2	2,220	7,260	11.50
2nd qtr.	2.5	33.9	33.3	26.7	1,423		10.00
January	9.8	14.6	11.1	11.4	770	2,734	12.50
February	4.6	5.3	6.8	9.1	783	2,310	12.50
March	5.1	8.2	14.3	16.4	657	2,215	11.50
April	0.3	21.5	22.6	26.5	756	2,741	11.50
May	3.5	42.8	32.4	27.9	500	2,385	10.00
June	2.6	35.5	33.7	25.7	177		10.00

INFLATION—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1974=100); FT commodity index (July 1952=100); trade weighted value of sterling (1975=100).

	Earnings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	FT* cmdty.	Sterling
1985							
2nd qtr.	179.3	133.8	139.4	375.3	330.4	278.13	78.9
3rd qtr.	174.4	132.1	140.2	376.3	335.5	251.12	82.2
4th qtr.	176.9	132.6	141.4	378.1	337.4	n/a	79.5
November	176.8	132.1	141.5	378.4	337.4	n/a	80.4
December	180.0	134.7	141.9	378.9	339.4	n/a	78.1
1986							
1st qtr.	179.1	132.6	143.4	380.2	342.3	n/a	75.1
2nd qtr.		128.3	145.7	385.7	349.5		76.1
January	176.9	135.0	142.7	379.7	341.1	n/a	76.6
February	177.9	133.5	143.3	381.1	342.6	n/a	74.3
March	182.4	129.4	144.3	381.6	345.2	n/a	74.6
April	184.0	127.1	145.4	385.3	347.4	n/a	76.3
May	182.0	126.7	145.9	386.0	349.8	n/a	76.1
June		128.2	145.9	385.8	351.4	n/a	75.9

* Not seasonally adjusted.

† From January 1986 includes amounts outstanding on credit cards.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§125	F.P.	24/7	167	136	♦Accord Publications 5p	167	—	Rd3.1	2.6	2.6	21.1
‖‖	F.P.	15/8	127	110	♦Airsprung Group 10p	110	−5	5.4	2.8	6.9	7.2
§115	F.P.	22/8	141	128	♦Anglia Sec Homes 10p	132	−2	R1.43	5.0	1.7	16.2
115	F.P.	11/7	190	155	Arlington Sec. 10p	175	—	b1.7	4.3	1.4	24.0
§67	F.P	8/8	71	68	♦BBB Design Grp 5p	71	+1	L1.0	4.2	2.0	17.0
§145	F.P.	15/8	158	145	♦Beaverco 5p	152	—	u5.0	2.4	4.6	12.0
‖‖	F.P.	—	53	41	Bertrams Inv. Tst	44	—	—	—	—	—
§37½	F.P.	25/7	43½	38	♦Bipel 5p	42	−½	R1.225	3.1	4.1	10.5
125	F.P.	8/8	147	128	♦Borland Intl. Inc.	139	+5	u02c	1.4	1.0	19.4
145	F.P.	25/7	175	148	Bredero Props	152	—	R4.25	2.3	3.9	12.9
§60	F.P.	20/8	61½	54	♦Brit. Isl. Airways 10p	55	—	bd2.82	2.1	7.2	7.7
§63	F.P.	6/8	69	61½	♦Camtech 10p	66	—	R2.0	2.4	4.3	13.5
§130	F.P.	18/7	115	85	♦C'bell & Armstrong 5p	100	+2	u3.91	1.9	5.5	12.7
§125	F.P.	7/8	135	129	♦Cactus Man 5p	129	—	L2.2	2.8	2.4	21.2
‖‖	F.P.	18/7	110	85	Clarkson (Horace)	102	−1	t4.75	1.5	6.6	14.0
¶¶	F.P.	—	100	60	Clayform Warrants	60	—	—	—	—	—
§84	F.P.	1/8	91	84	♦Coated Electrodes 5p	88	—	u3.9	1.6	6.2	13.7
237	100	22/8	110	90	Dee Corp.	95	+5	5.8	1.9	3.6	18.0
§58	F.P.	4/7	82	59	Dextatron Intl 5p	80	—	u1.65	2.1	2.9	20.5
§70	F.P.	—	74	71	♦Fletcher Dennys Sys 5p	74	—	L2.5	1.9	4.8	15.7
210	F.P.	22/8	200	191	G. T. Management 1p	195	—	R3.0	3.4	2.2	16.4
150	F.P.	25/7	155	150	Guthrie Corp	152	—	u5.3	2.2	4.9	9.7
150	F.P.	—	161	158	Harrison Inds. 10p	159	—	Sg5.0	2.7	4.4	11.9
§92	F.P.	—	93	87	♦Hills Ergonom 10p	90	—	L2.0	3.1	3.1	12.4
§85	F.P.	24/7	117	90	♦Hodgson Hldgs 5p	113	+3	R2.13	2.3	2.7	20.5
§20	F.P.	—	25	21½	♦Hughes Food 5p	25	+2	Ro.5	2.8	2.8	18.0
R30	Nil	—	325	180	Joel (H.J.) Ltd Units	180	—	—	—	—	—
§154	F.P.	19/8	159	158	Kleinwort Dev. Fnd	158	—	—	—	—	—
100	F.P.	15/8	90	85	♦M6 Cash & Carry	89	+1	u3.55	2.1	5.6	9.9
§500	F.P.	29/8	516	443	Morgan Grenfell £1	443	—	L18.5	—	2.7	—
§120	F.P.	—	120	115	♦Personal Computers 5p	115	—	R3.0	3.3	3.7	11.7
§113	F.P.	29/8	114	114	St. David's Inv. Tst. Inc.	114	—	H68	—	8.4	—
§75	F.P.	29/8	77	76	Do Cap.	76	—	—	—	—	—
§72	F.P.	15/8	160	99	♦Shield Group 5p	135	−5	L2.0	3.1	2.1	19.7
	F.P.	1/8	184	162	♦Smallbone 10p	162	—	u5.0	2.1	4.3	15.1
—	F.P.	—	55	43	Smith Newcourt War'ts	50	+2	—	—	—	—
§40	F.P.	31/7	42	35	♦Soundtracs 5p	40	—	61.2	2.8	4.2	11.9
§98	F.P.	6/8	106	98	♦Space Planning 10p	102	—	R1.8	3.4	2.5	16.6
§110	F.P.	28/8	125	119	Stanley Leisure	124	+1	u3.25	2.8	3.7	13.1
130	F.P.	—	142	135	♦TV-am 10p	141	—	R5.75	2.6	5.7	9.4
§95	F.P.	25/7	114	104	♦Task Force 5p	110	—	R1.78	3.8	2.3	16.3
112	F.P.	8/8	130	116	Tenby 50p	128	—	u4.0	2.6	4.4	9.9
190	F.P.	1/8	242	219	Thames TV	225	+3	49.5	1.9	5.9	12.6
120	F.P.	6/8	130	100	Tibbet & Britten 5p	125	—	R3.5	2.6	3.9	14.0
§63	F.P.	22/8	68	67	Unilock 20p	67	—	1.98	2.7	3.9	14.1
£12.70	Nil	—	260	130	Wight Collins RS ##	170	+40	—	—	—	—
106	F.P.	22/8	112	110	Windsmoor 5p	112	—	u3.25	2.3	4.1	15.1

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
§97.947	£25	17/9	27¼	25⅝	Bankers Inv. Tst. 10½% Deb. 2016	25⅝	—
§99.256	£30	29/8	30¼	26¾	Brit. Alcan Aluminium 10½% Deb. 2011	27⅛	+⅛
§94.203	£25	31/10	25¼	22¾	Brixton Est. 9.5% 1st Mort Deb 2026	22¾	+⅛
§100p	F.P.	15/8	107p	105p	Business Mortgages Tst. 8.6% Cum Prf.	107p	—
109.89	£40	29/8	40	37¼	Estates & Gen. 11¼% 1st Deb. 2018	37¼	—
§94.45	£30	31/10	32¼	28¼	European Inv. Bank 9% Ln 2001	28¼	—
‖	Nil	29/8	5pm	2pm	♦Fergebrook 12% Cnv Uns Ln 1992-97	2pm	—
96.114	£25	24/10	27¾	25	Globe Inv. 10% Deb. 2016	25¾	+½
§99.054	£40	12/9	41½	39¼	Govett Strat.Inv.Tst.10½% Deb. 2016	39¼	+⅛
97.963	£25	24/10	25¼	19¾	Gt. Portland 9½% 1st. Mort. Deb. 2016	19½	+⅛
105.523	£25	21/8	26	18¾	Land Securities 10% 1st. Mort. Deb.25	18½	+½
‖	F.P.	14/8	101½p	97p	Leigh Int. 6% Cnv. Cum. Red. Prf.	98p	—
§99.795	£25	24/9	24⅛	21	Lon. Shop Prop. 10% 1st. Mort. Deb. 2026	21⅛	+⅛
¶¶	F.P.	—	101	96	Mercury Intl. 7½% Cum Pref.	97	—
‖‖	F.P.	—	136p	136p	Morgan Grenfell 11¼% Cum Prf.	136p	—
—	F.P.	—	100	99	Nationwide 9⅞% 6/7/87	99⅞	−1/16
—	F.P.	—	100⅛	99⅞	Do. 10⅛% 27/7/87	99⅞	−1/16
§99.997	£25	24/10	25⅛	23¾	Do 3⅞% IL Ln. 2001	24	—
§100	£10	2/9	9	8	Newcastle & Gate. Wtr. 7% Red. Prf. 94/6	8	—
95.512	F.P.	8/8	98½	94¾	Scot.Mort.6%—12%Ste'dInt.Deb.2026	96	+¼
§105	£50	10/10	46	44½	Smith New Court 12pc Uns. Ln. 2001‡‡	45½	—
§99.073	£25	8/8	25¼	22⅝	Tops Est. 10¼% 1st. Mort. Deb. 2011/16	22⅝	—
100	£50	12/9	50¼	46⅛	Wican Inv. 8½% Deb 2016	46½	+⅛

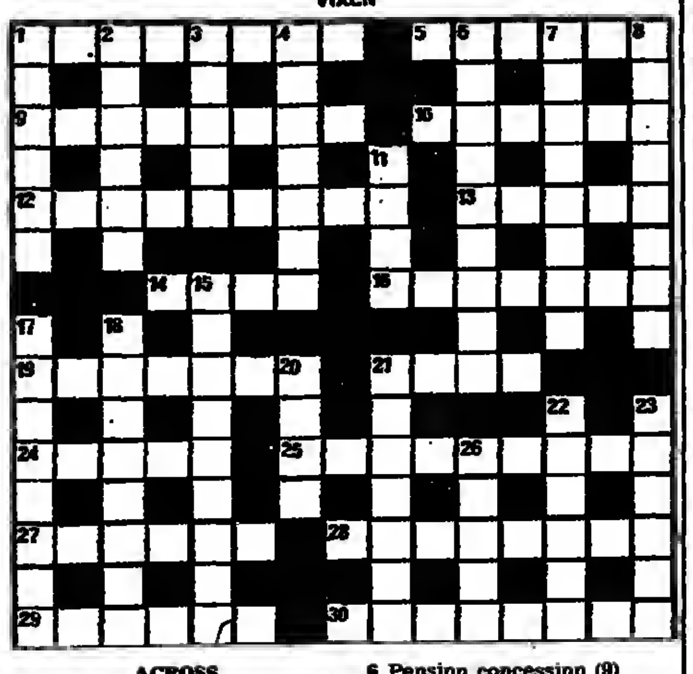
"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
49	Nil	29/8	36pm	23pm	Abaco Invs. 5p	23½pm	+½
40	F.P.	4/8	51	42	Anglo African Fin. 7½p	42	—
470	F.P.	4/8	670	570	Antofagasta Hldgs. £1	625	—
55	F.P.	—	55½	45	Bertrams Inv. Tst.	45	—
250	Nil	12/9	30pm	½pm	Bosse Massimi Pollitt 12½p	½pm	—
170	Nil	2/9	23pm	16pm	Coloroll 10p.	23pm	+7
465	F.P.	29/8	565	536	Costain Group	536	—
145	Nil	20/8	40pm	34pm	Dataserv. Inc. 5c.	34pm	−2
130	F.P.	14/8	146	138	Erskine House	140	—
165	Nil	20/8	20pm	7pm	Expamet Intl.	9pm	−2
148	F.P.	20/8	182	168	Ibstock Johnsen	168	—
215	F.P.	15/8	278	235	Intl. Signal & Control 10c	237	+2
200	Nil	29/8	20pm	10pm	♦Meadow Farm Prod. 10p	20pm	—
£14	Nil	12/9	230pm	220pm	Priest Marians £1	230pm	—
44	F.P.	20/8	6pm	4pm	♦Sheraton Secs. 10p	4pm	−½
25	F.P.	11/8	29	25	Sovereign Oil & Gas	25	—
90	Nil	17/9	2½pm	1pm	Top Value Indt. 10p	1pm	—
38	Nil	28/8	2½pm	¼pm	♦Yelverton Invs. 5p	¼pm	—
41	Nil	29/8	35pm	22pm	♦York Mount	22pm	−3

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▦ Allotment price. ♦ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement. ##Units comprising new ord. & Cnv. Cum. Red. Pref. shares.

FT CROSSWORD PUZZLE No. 6081

VIXEN



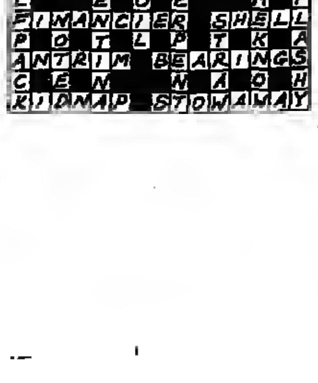
ACROSS

1 Take in a girl's hloomers! (8)
5 Dormant talent may be develnped (6)
9 Assist retired people and there's strong criticism (8)
10 He'll be circumspect accepting a note (6)
12 What's going round the south-east about a report, it appears (9)
13 Composed, though put down (5)
14 Figurehead—one to stand np *to* (4)
16 Hnnest as engineers (7)
19 A sufficiently good reason for being stranded (7)
21 Too left? (4)
24 Called in a go-between—a mediator (5)
25 Put out furs, treat and check (9)
27 The nbject nf 1 dnwn hnliday accommodation (6)
28 Salvatinn is seen by the fortune-te)ler (4-4)
29 Informatinn required about a road in a green area (6)
30 Protection fnr nne's capital that wars ruin (5-3)

DOWN

1 Doctor food, as is much in vogue (6)
2 Sea air? (6)
3 She's against dividing mnney up (5)
4 In the msin this is responsible for the recessinn (3-4)
6 Pensinn concessinn (9)
7 Ugly things have a pnint certainly—or points (8)
8 Deter eccentric involving the restrained (8)
11 The French boat is smaller (4)
15 Taking a cake, may be caned, thnugh there's plenty (9)
17 Hanging around some rich aunt in great hnpes of inheriting (8)
18 Sharper reminder (8)
20 Putting old coppers at the back is absurd (4)
21 Viewers' complaints keep him busy! (7)
22 "Hope may....., but die not." Shelley (Hellas) (6)
23 To dn with a cnin that's new (6)
26 A Greek character at the Exchange (5)

Solution to Puzzle No. 6080



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

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AUTHORISED UNIT TRUSTS & INSURANCES

Wardley Unit Trust Managers Ltd (a)
Wardley House, 7 Devonshire Sq, EC2 01-929 1532

American Tst.	63.3	68 1xd	+0.5	1.8
Far East & Gn. Tst.	102.6	109.2	+1.0	1.0
Intl. Growth Tst.	67.7	72.1xd	+0.6	0.7
Income Tst.	83.5	89.8	+0.1	5.6
Japan Growth Tst.	124.1	133.5	+1.7	0.2
Small Cos. Tst.	111.5	119.9	-0.5	2.0
Tchnlgy.Tst.	32.9	35.3	+0.8	0.2
Australia Trust	36.7	39.0	-0.6	2.0
UK Trust	128.1	136.3	+0.8	2.7
European Growth Tst	49.3	52.5xd	+0.4	1.2
Hong Kong Tst	22.0	23.4	+0.7	1.5

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	13.9	14.9	-0.4	0.15
Pacific Basin	13.2	14.1	-0.2	0.2
Canadian Balncd Grwth	57.0	60.9	-0.6	0.98
Ginnie Mae	100.8	105.0	-0.5	7.3

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smllr Co's (z)	56.4	58.2	....	1.50
British Growth (z)	66.2	68.1	+0.1	2.00
British Income (z)	64.6	66.4	+0.1	5.00
British Extra Yield(z)	50.3	51.7	+0.3	7.00

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67.5	68.6	+0.1	0.00
U.S. Govmnt Bond F	0.506	0.507	...	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Convrtbl & Equity Tst	47.8	50.9	...	7.79
Growth Trust	51.1	54.4	....	2.25
Income Trust	52.8	56.2	+0.1	5.21

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	67.6	71.1xd	...	2.95

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	120.8	128.6xd	+0.2	3.53

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly Sy July 11		107.4	...	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	205.8	216.7	...	—
Equity Ser. 1	98.8	104.0	+0.1	—
Prop. Acc. Ser 2	277.0	291.6	...	—
Equity Ser 2	107.4	113.1	+0.1	—
Selective Acc.	233.3	245.6	+0.1	—
Prop. Ser. 4	218.6	230.2	..	—
Equity Ser. 4	111.2	117.1	+0.1	—
Fixed Int. Ser. 4	187.9	197.8	+0.5	—
Indexed Ins. Ser 4	113.8	119.8	..	—
American Ser. 4	251.3	264.6	-0.9	—

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733

Special Acc	9.00	6.73	9.77	Mth
Over £10,000	9.25	6.91	10.04	Mth

Western Trust & Savings Limited
The Moneycentre, Plymouth PL1 5E 0752 224141

High Int Chq Acc	9.93	7.42	10.73	Qtr

Wimbledon & South West Finance Co Ltd
114 Newgate St, London EC1A 7AE. 01-606 9485

High Int Cheque Acc	11.00	8.22	...	Qtr.

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‖ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◊ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	0
Allied-Lyons	30
BAT	35
BOC Grp	28
BSR	11
BTR	28
Babcock	17
Barclays	45
Beecham	40
Blue Circle	35
Boots	22
Bowaters	30
Brit Aerospace	45
Brit. Telecom	17
Burton Ord	28
Cadburys	17
Charter Cons	22
Comm Union	28
Courtaulds	26
FNFC	17
Gen Accident	75
Gen Electric	17
Glaxo	85
Grand Met	34
GUS 'A'	85
Guardian	75
GKN	32
Hanson Tst.	16
Hawker Sidd.	48
ICI	55
Jaguar	38
Ladbroke	32
Legal & Gen	24
Lex Service	28
Lloyds Bank	38
Lucas Inds	52
Marks & Spencer	18
Midland Bk	44
NEI	11
Nat West Bk	48
P & O Dfd	45
Plessey	18
Polly Peck	16
Racal Elect	16
RHM	20
Rank Org Ord	45
Reed Intnl	75
Sears	12
TI	42
Tesco	32
Thorn EMI	40
Trust Houses	15
Turner Newall	18
Unilever	120
Vickers	40
Wellcome	17
Property	
Brit Land	16
Land Secs	30
MEPC	32
Peachey	24
Samuel Props	25
Oils	
Brit. Oil & Min.	2½
Brit Petroleum	48
Burmah Oil	30
Charterhall	4
Premier	3½
Shell	55
Tricentrol	11
Ultramar	18
Mines	
Cons Gold	40
Lonrho	24
Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Platinum metals may remain in deficit

By John Wicks in Zurich

DEMAND IS likely to continue to exceed supply for both platinum and palladium this year and next, according to a study prepared by Credit Suisse.

The net deficit, which amounted to provisional volumes of 3 tonnes for platinum and 0.3 tonnes of palladium last year, is seen as amounting to some 2.9 and 1.5 tonnes, respectively, this year and 2.4 and 1 tonne respectively, in 1987.

The Zurich Bank, which forecasts a "firm trend" for the two metals, says their sales should benefit from the generally good state of the international economy, together with upward limits on interest rates and the fact that inflation seemed to have bottomed out.

At the same time, the adoption of US-style car-exhaust regulations by European countries, Australia and South Korea could mean an increase in related use of platinum metals from 1 to 7 tonnes between 1988 and 1994. The two metals are also expected to find new high-technology applications.

In respect of supply Credit Suisse further points out that the proposal to reduce American strategic reserves of platinum metals has been blocked by Congress, at least for the current fiscal year.

Although the platinum market has "profited not inconsiderably from speculative interest," the report expresses the belief that the narrow and volatile market conditions continue to speak for the metal at a time of lasting supply bottle-necks.

However, the bank feels palladium could meet with a rather more restrained reaction from speculators in view of the nuclear nature of the Soviet Union's sales policy.

Credit Suisse indicates that on the supply side South African production of platinum in 1986 and 1987 should be rather lower than last year's 72.2 tonnes, running at some 70 and 72 tonnes, respectively. Canada is seen as raising its output from 4.7 tonnes in 1985 to about 5 tonnes this and next year, while Soviet sales of platinum rise from 7.2 tonnes to 8 tonnes in 1986 and 9 tonnes in 1987.

Japan will remain the biggest single market for platinum, with a probable 38 tonnes this year and 39 tonnes next year, followed by North America, with 29 and 30 tonnes, respectively.

The Palladium market will still be dominated by Soviet sales, which Credit Suisse thinks should grow from 44.8 tonnes in 1985 to 49 tonnes this year and 52 tonnes in 1987.

Here, too, Japan will be the major market, taking a probable 35 tonnes this year and 38 tonnes next. Other leading buyers are seen as likely to be North America, with 29 and 30.5 tonnes, respectively, and Western European with corresponding purchases of 18 and 19 tonnes.

As far as the destination of the two metals is concerned, the report says that last year 31 per cent of all platinum sold went to the automotive industry and 29 per cent to jewellers. Major users of palladium were the electronics industry with 39 per cent and the dental profession with 32 per cent.

Concern deepening over EEC butter 'mountain'

BY TIM DICKSON IN BRUSSELS

THE EUROPEAN Community's butter mountain is causing renewed concern to EEC officials in Brussels.

The system of milk quotas, introduced in 1984 to curb dairy output, is seen as inadequate, and Mr Frans Andriessen, Commissioner responsible for agriculture, is expected to produce proposals in the autumn for its reform.

This follows a meeting of the commissioners in London last Friday when discussion was dominated by the failure of the quota system to bring dairy overproduction under control. No formal plans were put forward, however.

The butter surplus, which grew in May by 100,000 tonnes to a record 1.3m tonnes, may reach 2m tonnes by the end of the year if action is not taken, officials say.

The milk quota system has often been hailed by EEC farm ministers as the most serious attempt to reform the Common Agricultural Policy. However, its method of transferring quotas from regions which underproduce to those with surplus output — an arrangement designed to help the latter avoid paying "super levies"— is seen to be undermining the scheme.

The commission's main concern is that the quota system is not working properly. It was set at 9m tonnes for the Community of 10 in 1984-85, was reduced by 1 per cent the following year, and is due to be cut by a further 2 per cent in 1987-88 and 1 per cent in 1988-89.

The scheme imposes a "super levy" of 10 per cent of the market value of any overproduction but this has not stopped producers in some member states exceeding the quotas by 1 to 2 per cent in the first months of this year.

The commission also believes that the system of regional transfers, which was agreed by the farm ministers against the commision's will, is responsible for an extra 1m tonnes of milk production.

Abolishing the transfer provisions is one option for Mr Andriessen, but this could meet strong political opposition.

The butter surplus has been worsened by the shortage of world outlets for Community surpluses, hence the recent controversial schemes to sell off old stocks for animal feed and to offer cheap supplies to the unemployed and others on social security.

The position is further complicated by the Community's budget pressures and the fact that in the short term it is cheaper to pay storage costs than to sell stocks and realise the consequent large book loss.

Unstable outlook for aluminium

BY NICK GARNETT

THE WORLD'S aluminium industry will suffer bouts of over and under production for at least the next three years accompanied by increasing price instability, according to the latest quarterly analysis of the industry by Anthony Bird Associates, the London-based metals analysts.

The forecast is more pessimistic than that of the previous quarterly survey on the likelihood of the industry achieving greater equilibrium between output and demand. It is predicting as a consequence a longer period of volatility in pricing.

Aluminium consumption in the first half of this year has been significantly higher than the relatively weak demand of 1985 and prices should continue to rise strongly through until the middle of next year as a result of undersupply.

Anthony Bird estimates that in the first half of this year world demand outstripped supply by more than 650,000 tonnes. Only 50,000 tonnes of this was due to the strikes in the US aluminium industry during the early summer and producer and market stocks now stand at little more than eight weeks supply.

After the middle of next year, however, prices will fall as the industry moves into a period of overproduction, the report says. "The boom-bust cycle will then start over again. There is now an urgent need to discover new and more stable pricing mechanisms."

The medium-term future for aluminium looks mixed, the report says. Against other metals aluminium should be reasonably well over the next few years since the coming rises in aluminium prices will be matched by rises for copper and steel.

Plastics, though, present a growing threat. As a result of cheap oil the marginal cost of producing ethylene is now well below its present price despite recent sharp falls in the price of ethylene. Competing against plastics is likely to be a much tougher business over the next two to three years.

Aluminium consumption will stagnate at 1987 levels before rising towards the end of the decade. "If however oil were to fall to the $5 level for a period, as some expect, then the competitive pressure could become very unpleasant indeed."

Anthony Bird calculates that after 1988 smelting companies plan to expand capacity at just 1 per cent a year. This will be inadequate, the report says, and by the mid-1990s the world will need four more smelters than are being planned at the moment.

Western demand for coal up 5 per cent in 1985

BY MAURICE SAMUELSON

DEMAND for coal in Western industrialised countries rose by nearly 5 per cent in 1985 thanks to the continued growth in coal-fired electricity production, says the International Energy Agency's latest annual report on the world coal scene.

Among members of the Organisation for Economic Co-operation and Development (OECD), coal accounted for 71 per cent of the electricity generated in 1985 compared with 57 per cent in 1973, although the use of coal for steel making was down to about 12 per cent from 22 per cent in 1973.

OECD members were also forecasting last year that coal's share of total energy demand would grow from 22 per cent in 1985 to 25 per cent in 2000, as more coal-fired power stations came on stream and coal increasingly penetrated the general industrial market.

The report comments that although these forecasts have subsequently been overtaken by the collapse of the oil price, coal's future share could benefit from the second thoughts being expressed about nuclear power.

World coal production also rose last year by 5.3 per cent to 3,116m tonnes. Apart from UK production recovering to its 1983 level, the biggest relative rise occurred in Australia and Canada whose output grew 8.4 per cent and 15.3 per cent respectively, while US production fell marginally.

Among non-OECD producers there were substantial increases in the production: Chinese production grew 12 per cent and South African and Indian output rose by 8 per cent. Soviet production rose by only 2 per cent.

The international coal trade also continued to grow with OECD coal imports rising 4 per cent on the high level reached in 1984, and OECD exports also increasing by almost 9 per cent, thanks to buoyant markets in non-OECD countries, especially in South-East Asia.

But while power station and general industries sales were growing, there was little increase in demand for metallurgical coal. It rose 2 per cent in Europe but fell by 5 per cent in Japan, where Australia, with a market share of 43 per cent, felt the main brunt of an 8 per cent fall in prices.

Coal Information 1986, International Energy Agency, 406 pp, £40; $80.

EEC imposes ceiling on sugar exports

By Andrew Gowers

THE European Commission demonstrated yesterday that it has imposed a temporary ceiling on the quantity of EEC sugar it is prepared to export with subsidies at its weekly export tender in order to avoid destabilising the currently shaky free sugar market.

The EEC's sugar management committee authorised the sale of 24,500 tonnes of new series white sugar at a maximum export rebate of Ecus 43.9 per tonne.

Officials said that for the time being, the Commission intends to authorise exports of between 20,000 and 30,000 tonnes per week compared with recent levels of between 50,000 and 60,000. There will, however, be no formal limit on export rebates as was set temporarily last summer.

It is also understood that the EEC attempted recently to persuade the other three big exporters — Australia, Brazil and Cuba — to respect a minimum export price, but to no avail.

It is not clear that the EEC's self-imposed limitation on exports will support the market, since prices remain very sensitive at the present high level of world stocks.

Slaughterhouse profits cut to the bone

BRITAIN's slaughtering industry is suffering its tightest trading margins in five years following a slump in abattoir throughput and an unprecedented collapse in by-product values.

Many abattoirs are now running at a loss and as a result a spate of closures and takeovers is sweeping the industry. From the south west to Scotland struggling small and medium-sized slaughterhouses are being forced to sell out to their larger competitors, who have the financial resources to ride out the current difficult trading conditions.

A leading player in this counter-cyclical buying spree is Hillsdown Holdings, owner of the country's biggest red meat producer, FMC. But Hillsdown is not alone in its determination to increase market share by acquiring meat plants at depressed prices. Ireland's Anglo Beef Processors, part of the Goodman International empire, recently expanded its British activities into Scotland, as did another fast-growing Irish-based concern, Halal Meat Packers.

With supermarkets now accounting for a third of red meat sales, the shake-up is overdue many industry analysts would argue. The multiples are demanding more packaging at the factory, a broader range of cutting styles and higher quality standards, all of which require the kind of capital investment in new machinery which is generally only available to the larger operators.

For years the fragmented industry, comprising 1,040 abattoirs at the last count, has been suffering from severe over-capacity — generally estimated to be in excess of 100 per cent.

That problem has been exacerbated this year by a sharp fall in beef and sheep slaughterings.

The surge in dairy cow killings in the wake of the introduction of milk quotas has now come to an end and in the first six months of 1986 cull cow slaughterings were down some 15 per cent on the same period last year. At the same time the number of steers and heifers placed on the market by farmers dropped by 9 per cent.

A special correspondent reports on the shake-out in Britain's abattoir industry

Throughput has also fallen in the sheep sector—despite the record size of the British flock. The weather has been mainly to blame, with the late spring depriving the slaughterhouses of their expected early flush of new season lambs. A secondary problem has been the ban on movement and slaughter of sheep in parts of Wales, the north west and Scotland affected by fall-out from the Chernobyl power station explosion. The net effect has been an 8 per cent drop in lamb throughput in the January to June period compared with last year.

A further problem in the sheep sector has been the introduction of a clawback tax on the export of ewes, primarily to France. The imposition of the tax at the beginning of the year is now a subject of legal challenge in the European Court by farmers and meat traders—but in the meantime it is taking its toll on sales. Cull ewe throughput at abattoirs dropped 9 per cent in the six months to June.

Only the pig sector has managed to buck the trend of falling throughput, with slaughterings registering a modest 1.5 per cent rise.

Perhaps even more worrying for abattoir owners has been the sharp fall in the prices they receive for animal by-products. Only 60 per cent of the average carcase weight is recoverable as meat — a further 20 per cent is bones and 20 per cent is fat.

Weak world markets for oils and fats, and increasing consumer resistance to animal fats in the diet, have led food manufacturers to substitute animal fat with cheap vegetable oil.

That has led to a 50 per cent fall in the value of tallow in the past year. The product is now averaging between £135 and £140 a tonne, against an average of £270 a tonne a year ago.

The renderers, faced with such a spectacular market reversal, are now actually charging abattoirs up to £20 a tonne to remove waste products — a situation last seen five years ago. Then, however, the removal cost was only around £5 a tonne. And with slaughterings in the next few months destined for a seasonal rise, renderers are warning abattoirs in some parts of the country that they may not be able to take away inedible offals and other waste at any price.

The meat and bone meal market, meanwhile, has remained fairly steady at around £130 a tonne, despite a build up in stocks over the last 12 months. But because of the high percentage of recoverable fat on bones going for processing the value of raw bones has fallen to around £20 a tonne, against £70 a tonne a year ago.

The impact of these price falls on killing margins has been dramatic. Although they normally comprise only around 15 per cent of the carcase value, by-products are crucial in determining profit margins. Slaughterers traditionally work on the assumption that by-product earnings will cover the cost of slaughter. In today's depressed market they cover only half the cost.

The situation is bad enough to cause the industry to petition the Ministry of Agriculture for help. The renderers are particularly aggrieved because some of the products which they are having to compete against are being directly supported under the EEC Common Agricultural Policy. Rapeseed and sunflower seed oil producers are being insulated from the collapse in world oil and fat prices by the EEC's variable crushing subsidy scheme, the renderers argue, while animal fats go unprotected.

LONDON MARKETS

THE BOOST given to the dollar by comments made by Mr Paul Volcker, chairman of the US Federal Reserve Board, was reflected in a sharp fall in the gold price yesterday. The London bullion market price, which rose $4.50 on Monday (mainly because of concern about the US economy) and held that level yesterday, finished $6 down at $347.75 a troy ounce. On the London Metal Exchange aluminium remained the firmest market as the tightness of nearby supplies continued to encourage short-covering. The cash price gained another £5.50 at £762.50 a tonne, taking the rising on the week so far to £23.50 a tonne. The extended labour dispute which has disrupted US production remained an important background factor. Coffee prices eased back a little after Tuesday's strong rally. The

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	762-3	+6.0	—
3 months	769-2	+6	769.5/764

INDICES

REUTERS

July 23	July 22	M'th ago	Year ago
1447.2	1439.2	1618.0	1073.0

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	July 22	July 21	Month ago	Year ago
Spot	126.35	126.09	—	115.36
Fut.	110.25	116.76	—	110.85

(Base: December 31 1931 = 100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	July 23 1986	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1225/245	+15.0	$1240/260
Copper			
Cash Grade A	£899.25	+6.25	£897.0
3 mths	£917.25	+0.5	£910.70
Gold Troy oz	$347.75	−6.0	$344.25
Lead Cash	£260.00	−1.25	£270.0
3 mths	£264.70	−1.0	£273.5
Nickel			
Free Mkt	179/199c	+0.0	194/204c
Palladium oz	$111.25	−1.50	$110.60
Platinum oz	$434.50	−13.0	$438.75
Quicksilver †	$185/195	−6.0	$210/220
Silver troy oz	333.15p	−3.25	367.80p
3 months	341.00p	−3.35	346.05p
Tin			
free mkt	£3645/665	+15.0	£3600/82
Tungsten	$54.42		$58.78
Wolfram 22.04lb	$42/50		$42/60
Zinc	£549.0		£511.0
3 months	£545.30	+3.75	£516.0
producers	$840		$840
OILS			
Coconut (Phil)	$250y		$255.5
Palm Malayan	$220.0x	−5.0	
Copra Phil	$145y		$160
Soyabean (U.S.)	$165y	−3.0	$153

US MARKETS

COTTON futures rose sharply on aggressive buying by Commission Houses supported by computer funds and locals, reports Heinold Commodities. The trade participated as a seller early in the session but the market could maintain a good advance on the day of over 100 points since the previous close. According to traders, the rise was mainly triggered by speculative interest in the absence of fundamental news but a good technical basis to support the move. New York sugar drifted lower in a market discribed as confused. The lack of followthrough after a good rally in the past few days were the reason for a quiet market. October resistance around 610 was broken on the close and the market settled with a loss of 16 points on the day. Comex silver rose slightly on Commision House buying and closed 2.5 points higher while the gold and platinum market had a quiet trading session with prices innitially falling due to triggered sellstops and could recover some of the losses in midsession, but still closed lower than the previous nights close.

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	High	Low	Prev
July	52.05	51.70	51.70	51.10
Aug	52.10	—	—	51.20
Sept	52.30	52.40	51.70	51.45
Dec	52.75	52.60	52.25	51.95
Jan	52.05	—	—	52.05
March	53.20	—	—	52.45
May	53.50	—	—	52.75
July	53.75	—	—	53.00
Sept	53.95	—	—	53.20
Dec	54.15	—	—	53.40

COFFEE "C" 37,500 lbs, cents/lb

Protest by food exporters

FOOD EXPORTERS called yesterday for immediate international efforts to prevent developed countries undercutting markets and depressing prices, reports Reuter from Pettaya, Thailand.

Australia, New Zealand and Canada joined nine Third World agricultural exporters in appealing to the US, the EEC and Japan to reduce farm export subsidies and import restrictions that had created a crisis in world agricultural trade.

The food exporters demanded at an informal three-day meeting that multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT) in Uruguay in September should give priority to the issue.

EIB lends £5.4m to renovate hotel

HOLIDAY INNS (VIC) is to receive a £5.4m loan from the European Investment Bank towards the cost of renovating the Midland Hotel, Manchester.

Works include a new conference area, construction of a leisure centre and restoration of original Edwardian architecture and panelling.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

$ volatile on Volcker speech

The dollar finished little changed, after a nervous and volatile afternoon's trading. In the morning the US currency was quiet and steady, as the foreign exchange market awaited the speech by Mr Paul Volcker, chairman of the Federal Reserve Board, before the Senate banking committee. Mr Volcker's remarks gave the dollar a sharp boost, as he warned about the dangers of placing excessive weight on depressing the dollar. He also called upon other leading industrial countries to boost economic growth, because the US can no longer be the only source of world expansion. But at the same time Mr Volcker said the Federal Reserve would cut its discount rate again in isolation, if it decided that policy was appropriate, and this helped bring the dollar back down at the European close.

Economic figures released yesterday were bullish for the dollar. Durable goods orders in June rose 2.1 per cent, compared with an expected fall of up to 1 per cent, and personal income increased 0.1 per cent, against expectations of a fall of up to 0.4 per cent.

Consumer prices rose 0.5 per cent, compared with forecasts of around 0.1 to 0.2 per cent.

The dollar fell to DM 2.1350 from DM 2.1370; to FFr 6.89 from FFr 6.8975; and to SFr 1.7260 from SFr 1.7270, but rose to Y157.30 from Y156.75.

£ IN NEW YORK

July 23	Latest	Prev. close
£ Spot	$1.4900-1.4910	$1.4910-1.4920
1 month	0.46-0.45pm	0.46-0.40pm
3 months	1.27-1.29pm	1.29-1.27pm
12 months	4.55-4.45pm	4.63-4.63pm

Forward premiums and discounts apply to the US dollar

On Bank of England figures the dollar's index rose to 113.0 from 112.3.

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3770. June average 1.5089. Exchange rate index rose 0.1 to 72.9, compared with 74.3 six months ago.

Sterling suffered early weakness, on a continued decline in North Sea oil prices, falling to around a record trading low against the D-mark, but showing little movement against the dollar. The pound tended to recover as the dollar moved up in the early afternoon. It closed 15 points higher on the day at $1.4915-1.4925, and also improved to Y234.75 from Y233.50, but was unchanged at DM 3.1850; FFr 10.28 and SFr 2.5750.

D-MARK — Trading range against the dollar in 1986 is 2.470 to 2.1195. June average 2.3329. Exchange rate index 136.9 against 132.2 six months ago.

The D-Mark lost ground to the dollar in hectic late Frankfurt trading, on comments by Mr Volcker, in his speech to the US Senate and by bullish US economic statistics for June. After Mr Volcker warned of the dangers in placing excessive weight on depressing the dollar, the US currency rose to a peak of DM 2.1525, but failed to hold above DM 2.15, and closed at DM 2.1405, compared with DM 2.1360 on Tuesday. The Bundesbank did not intervene when the dollar was fixed at DM 2.1363 in Frankfurt, against DM 2.1252 previously.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 155.00. June average 167.50. Exchange rate index 215.5 against 176.4 six months ago.

The yen closed little changed against the dollar in quiet Tokyo trading. The dollar rose to Y155.875 from Y155.45, ahead of the speech by Mr Volcker to the US Senate. Dealers were nervous about what Mr Volcker would say about exchange rates and the Federal Reserve's credit policy. Sentiment remained bearish for the dollar following the rise of only 1.1 per cent in second quarter US GNP growth, and little hope of any improvement in the second half of the year. The US currency was also confined to a narrow range by suggestions the Bank of Japan wishes to keep the dollar above Y155. There were suggestions the Japanese central bank may have intervened in New York on Tuesday.

POUND SPOT—FORWARD AGAINST POUND

July 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4845-1.4960	1.4915-1.4925	0.45-0.42c pm	3.50	1.28-1.23pm	3.36
Canada	2.0627-2.0732	2.0715-2.0725	0.30-0.21c pm	1.40	0.51-0.65pm	1.41
Nethlnd.	3.57¾-3.59¾	3.58¼-3.59¼	1¼-1⅛c pm	4.15	4-3¾pm	4.32
Belgium	65.28-65.86	65.60-65.70	19-13c pm	2.92	52-43pm	2.89
Denmark	11.89-11.96½	11.97½-11.98½	2¼-1¼ore pm	1.75	5¼-3¾pm	1.66
Ireland	1.0650-1.0685	1.0675-1.0685	0.05pm-0.05p dis	—	0.05pm-0.05dis	—
W. Ger.	3.16½-3.19½	3.18-3.19	1⅝-1⅜pf pm	5.65	4⅛-4⅞pm	5.34
Portugal	218.37-220.74	219.03-220.67	65-165c dis	−6.29	190-455dis	−5.79
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 66.35-66.45. Six-month forward dollar 2.43-2.38c pm. 12-month 4.50-4.35c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

July 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 44.45-44.55.

EXCHANGE CROSS RATES

July 23	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]										

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

July 23	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
[illegible]						

Long-term Eurodollars: two years 6⅞-7⅛ per cent; three years 7¼-7⅜ per cent; four years 7½-7⅝ per cent; five years 7⅝-7¾ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

CURRENCY MOVEMENTS

July 23	Bank of England Index	Morgan Guaranty Change %
Sterling	72.6	−10.1
U.S. dollar	118.0	+3.6
Canadian dollar	77.9	−12.6
Austrian schilling	128.2	+7.6
Belgian franc	96.6	−7.2
Danish Kroner	86.6	−0.6
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

CURRENCY RATES

July 23	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]			

* CS/SDR rate for July 22: 1.85661. (1) SDR rate for July 22.

OTHER CURRENCIES

July 23	£	$
[illegible]		

* Selling rate.

FINANCIAL FUTURES

Weaker trend

US bond prices fell in the London International Financial Futures Exchange yesterday on better than expected US economic figures. Durable goods orders rose by 2.1 per cent in June, a sharp improvement over market estimates of a 0.5 to 1.0 per cent fall. Consumer prices were also higher by 0.5 per cent after earlier estimates of nearer 0.1 per cent. The market's reaction to these figures may have been a little overdone. One unadjusted figure for one month is insufficient to signal a turnaround in the economy, some dealers suggested.

However with trading at this time of year lower in comparative volume terms, there was probably less incentive to run large positions, thus increasing the pace of the sell off. Mr Volcker's comments to Congress were not seen as providing any clear trend. The September price opened at 98-17 and traded in a narrow range during the morning before slipping away in the afternoon to a low of 97-11. It closed at 97-18 with trading becoming distinctly choppy for an hour or so in the afternoon as values see-sawed on comments made by Mr Volcker.

Long gilt futures finished weaker overall but fluctuated sharply during the day. The September price opened at 119-22 and rose on a bear squeeze to 120-02 before dipping to 119-24. Values were then driven up to 120-04. This all happened in a short space and later a high of 120-08 was touched. However prices retreated in the afternoon, influenced by a weaker bond market to close at 119-12.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
116	3.54	5.07	—	—	0.30	1.57	—	—
118	2.27	3.59	—	—	1.03	2.45	—	—
120	1.23	2.60	—	—	1.63	3.46	—	—
122	0.43	2.06	—	—	3.10	4.59	—	—
124	0.18	1.32	—	—	4.88	6.18	—	—
126	0.07	1.02	—	—	6.47	7.52	—	—
128	0.02	0.44	—	—	8.42	9.30	—	—
130	0.01	0.28	—	—	10.41	11.14	—	—

Estimated volume total, Calls 394, Puts 235
Previous day's open int. Calls 11,865, Puts 4,329

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
88	9.37	9.39	—	—	0.01	0.47	—	—
90	7.41	8.01	—	—	0.05	1.09	—	—
92	5.50	6.36	—	—	0.14	1.44	—	—
94	4.06	5.16	—	—	0.34	2.26	—	—
96	2.44	4.10	—	—	1.08	3.18	—	—
98	1.38	3.13	—	—	2.02	4.21	—	—
100	0.56	2.27	—	—	3.19	5.35	—	—
102	0.27	1.50	—	—	4.55	6.58	—	—

Estimated volume total, Calls 192, Puts 129
Previous day's open int. Calls 1,559, Puts 976

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

[illegible]

LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

[illegible]

PHILADELPHIA SE £/$ OPTIONS

£12,500 (cents per £1)

[illegible]

LIFFE—EURODOLLAR OPTIONS

$1m points of 100%

[illegible]

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

[illegible]

US TREASURY BILLS (IMM) $1m points of 100%

[illegible]

CERT. DEPOSIT (IMM) $1m points of 100%

[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

[illegible]

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

[illegible]

THREE-MONTH STERLING £500,000 points of 100%

[illegible]

FT-SE 100 INDEX £25 per full index point

[illegible]

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
[illegible]				
Dec	92.54	92.62	92.65	92.65
March	92.27	—	—	92.38

Estimated volume 4,887 (4,735)
Previous day's open int 17,626 (17,468)

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	97-18	98-19	97-11	98-26
Dec	96-28	98-01	97-31	98-04

Estimated volume 8,782 (6,727)
Previous day's open int 7,682 (7,822)

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

[illegible]

IMM—STERLING Se per £

[illegible]

LIFFE—STERLING £25,000 $ per £

[illegible]

STERLING INDEX

	July 23	Previous
8.30 am	72.6	72.5
9.00 am	72.5	72.5
10.00 am	72.5	72.5
11.00 am	72.6	72.6
Noon	72.6	72.6
1.00 pm	72.6	72.6
2.00 pm	72.7	72.7
3.00 pm	72.8	72.7
4.00 pm	72.9	72.8

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 23	% change from central rate	% change adjusted for divergence	Divergence limit %
[illegible]					

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

MONEY MARKETS

London rates show little change

Interest rates showed very little change in London yesterday. There was very little to influence the market with sterling virtually unchanged from Tuesday. Rates continued to show a flat yield structure from one month to one year, highlighting the current lack of direction. Three-month interbank money was unchanged at 9⅞-10⅛ per cent.

Overnight money rates provided a little more activity and after opening at 9¾-9⅞ per cent, the interbank rate rose to 9¾-10 per cent before easing back to around 9 per cent. However a shortage of *funds later in the* afternoon pushed rates firmer to finish bid at 10½ per cent.

Prospects of an early cut in base rates remained low with sterling displaying an underlying weakness on weaker oil prices. Dealers were less than confident that a cut in the US discount rate would have an immediate knock-on effect.

The Bank of England forecast a shortage of around £750m with factors affecting the market including maturing assistance and a take-up of Treasury bills together draining £675m and a rise in the note circulation a further £135m. These were partly offset by Exchequer transactions.

To help alleviate the shortage, the Bank offered an early round of assistance which totalled £362m and comprised outright purchases of £30m of eligible bank bills in band 2 at 9⅞ per cent and £121m in band 3 at 9⅞ per cent. In band 4 it bought £1m of local authority bills and £210m of eligible bank bills all at 9⅞ per cent.

Further help was given in the morning of £108m through outright purchases of £30m of eligible bank bills in band 2 at 9⅞ per cent, £22m in band 3 at 9⅞ per cent and £56m in band 4 at 9⅞ per cent.

In the afternoon the Bank gave assistance of £202m through purchases of eligible bank bills, £16m in band 1 at 9⅞ per cent, £142m in band 2 at 9⅞ per cent, £28m in band 3 at 9⅞ per cent and £16m in band 4 at 9⅞ per cent. Total help came to £672m.

UK clearing bank base lending rate 10 per cent since May 22

NEW YORK RATES

(Lunchtime)

Prime rate	8
Broker loan rate	7½
Fed funds	6½
Fed funds at intervention	6⅞
Treasury Bills & Bonds	
One month	5.32
Two month	5.67
Three month	5.97
Six month	6.14
One year	6.00
Two year	6.74
Three year	6.87
Four year	7.03
Five year	7.09
Seven year	7.24
10 year	7.32
30 year	7.36

FT LONDON INTERBANK FIXING

(11.00 a.m. July 23)

Three months US dollars		Six months US dollars	
bid 6 ⅛	Offer 6 ¼	bid 6 ⅛	Offer 6 ¼

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

July 23	Over-night	One Month	Two Months	Three Months	Six Months	Lombard intervention
Frankfurt	4.50-4.60	4.55-4.65	4.55-4.65	4.55-4.65	4.55-4.70	5.0
Paris	7⅛	7⅛-7¼	7⅛-7¼	7⅛-7¼	7⅛-7¼	7
Zurich	⅞-1⅛	4⅜-4⅝	—	4⅜-4⅝	—	—
Amsterdam	6⅜-5½	5⅜-5⅝	—	5⅜-5⅝	—	—
Tokyo	4.46875	4.65625	—	4.71875	—	—
Milan	11¾-12⅛	11⅛-11⅞	—	11¾-10⅛	—	—
Brussels	4-90	7⅜-7⅝	—	7⅛-7¼	—	—
Dublin	9-9¼	9⅝-9⅞	10¼-10½	10¼-10½	10¼-10½	—

LONDON MONEY RATES

July 23	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	9-10½	9⅝-10	9⅞-10	9⅞-10⅛	9⅞-10⅛	9⅞-10⅛
Sterling CDs	—	—	9⅞-9⅞	9⅞-10	9⅞-9⅞	9⅞-9⅞
Local Authority Depos	9⅝-9⅞	9⅝-9⅞	9⅞-10	9⅞-10	9⅞-10⅛	9⅞-10⅛
Local Authority Bonds	—	—	10¼	10¼	10⅛	10⅛
Discount Mkt Depos	9-10½	9⅝-9¾	9¾	9¾	—	—
Company Depos	9⅝-10	9¾-10	10-10⅛	10⅛	10⅛	10
Finance House Depos	—	—	9⅞	10	10	10
Treasury Bills (Buy)	—	—	9⅞	9⅞	—	—
Bank Bills (Buy)	—	—	9⅞	9⅞	9⅞	—
Fine Trade Bills (Buy)	—	—	10⅞	10⅞	10⅞	—
Dollar CDs	—	—	3.50-6.55	3.60-6.61	3.50-6.56	3.60-6.66
SDR Linked Depos	—	—	6⅛-6⅝	6⅛-6⅝	6⅛-6⅝	6⅞-6⅞
ECU Depos	—	—	7⅞-7⅞	7⅞-7⅞	7⅛-7¼	7⅛-7¼

Treasury Bills (sell): one-month 9⅞ per cent; three months 9⅞ per cent. Bank Bills (sell): one month 9⅞ per cent; three months 9⅞ per cent. Treasury Bills: Average tender rate at discount 9.5826 per cent. ECGD Fixed Finance Scheme IV reference date June 4 to July 1 (inclusive): 9.824 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from July 1 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 10 per cent; three-six months 10 per cent; six-nine months 10 per cent; nine-12 months 10 per cent. Under £100,000 10 per cent from July 10. Deposits held under Series 9 10 per cent. Deposits withdrawn for cash 5½ per cent.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1986 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
102	100¼	Exch. 14pc 1986	101		13.86	9.75
98	94⅞	Exch. 2½pc 1986	98	+	2.54	6.90
102	100	Exch. 13¼pc 1987	101	..	13.05	9.85
100⅞	91	Treas. 10½pcCv '87	100 xd	..	10.23	9.86
97	92	Exch. 2½pc 1987	97½xd	..	2.56	6.91
101	91	Exch. 10½pc 1987	100	+	10.44	9.75
98	93	Funding 6½pc '85-87‡‡	98	+	6.60	8.84
101	95	Treas. 10pc 1987	100	+	9.98	9.72
97	90	Treas. 3pc 1987	96	+	3.11	7.05
104½	97	Treas. 12pc 1987	102		11.71	9.83
99	92	Treas. 7¾pc 1985-88‡‡	98xd	+	7.90	9.15
104	96	Exch. 10½pc '88	101	..	10.39	9.80
102	95	Treas. 9½pc Cv '88	99⅞	..	9.76	9.80
94	86	Transport 3pc '78-88	93	+	3.21	6.92
102	95	Treas. 9½pc '88	99½	+	9.54	9.71
107	98	Treas. 11½pc 1989	103 xd	..	11.06	9.74
103	95	Treas. 9½pc Cnv '89	99	..	9.53	9.66
92	82	Treas. 3pc 1989	89	+	3.33	7.01
105	95	Treas. 10½pc 1989	101	–	10.29	9.70
104	94	Exch. 10pc 1989	100 xd		9.95	9.76
107	97	Exch. 11pc 1989	103	..	10.63	9.68
93	84½	Treas. 5pc 1986-89	91	+	5.46	8.04
110	94	Exch. 10½pcCv '89	105		9.13	8.35
114	107	Treas. 13pc 1990‡‡	110	+	11.83	9.53
108	97	Exch. 11pc 1990‡‡	104xd	+	10.56	9.50
113	101	Exch. 12½pc 1990	108	.	11.52	9.65
89	79	Treas. 3pc 1990	86	+	3.47	7.16
100	89	Treas. 8¼pc 1987-90‡‡	97	+	8.47	9.05
106	93	Treas. 10pcCv 1990	101	+	9.85	9.56
86	76	Exch. 2½pc 1990	83	+	2.98	6.96
114	99	Treas. 11¾pc 1991	107	+	10.90	9.56
94	93	Funding 5¾pc '87-91‡‡	92	+	6.26	7.87
86	83	Treas. 3pc 1991●	83	+	3.58	7.08

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

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ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
317	210	Morgan Crucible	260	–0	8.5	1.7	4.6	16.3
23½	15½	‡Morris (W) F.A. 20p	16½	—	—	—	—	—
139	96	Moss (Robt.) 10p	130	.....	‡3.5	2.7	3.6	14.0
141	65	Myson Grp 10p	127	–1	2.63	2.6	2.9	16.4
365	259	‡NMW Computers	318	+10	6.0	3.0	2.7	17.0
40	27	Nash Inds.	39	.....	†0.5	—	1.8	—
*27½	15½	Neil & Spencer 10p	22	–2	‡h—	—	—	—
39	28	Newman Inds 10p	38	+1	0.8	1.2	3.0	(36.9)
130	65	Noble & Lund 10p	123	+2	0.7	4.3	0.8	40.5
65	44	Norton	46	–5	†0.95	7.0	2.9	6.6
138	96	‡Norank Systems 5p	134	.....	u3.0	♦	3.2	♦
286	187	Norcros	246xd	+1	9.3	2.2	5.3	11.8
173	49	Nu-Swift 5p	158	–2	3.5	2.1	3.1	21.2
£303	£228	OCE 9pc Cnv 1987-92	£292	.....	Q9%	—	f3.1	—
118	80	Oakwood Grp.	102	–1	‡5.0	1.3	‡	14.2
250	205	Office & Elect	223	–5	8.5	2.9	5.4	9.1
183	70	Oldacre 20p	130	–3	‡5.0	♦	4.0	♦
36	24	‡Optometrics $0.01	30	.....	—	—	—	—
810	500	Ortlame £1	805	–5	24.5	2.1	4.3	15.6
10	6	Ovenstone 12½c	6	.....	g03.23c	1.9	14.1	3.7
		For Ozalid 9pc Cnv see OCE 9pc Cnv						
142	85	‡PCT Grp 10p	130	–5	3.2	1.2	6.0	(27.1)
£20½	950	PLM 'B' Sk 25	£17¼	+¼	Q23.2%	0.3	3.8	—
184	114	PSM Intl.	166	.....	d5.5	2.1	4.7	12.6
255	167	‡Pacer Systems $0.01	200	.....	LdG3.84c	3.4	1.3	22.5
78	56	‡Pacific Sales 10p	62	.....	3.0	2.1	6.8	8.1
342	225	Park Place 10p	330	.....	‡6.25	1.9	2.7	27.7
445	245	Parker Knoll 'A'	432	.....	†9.5	2.9	3.2	15.0
545	208	‡Parkfield Group 5p	535	+80	†2.4	2.4	0.6	89.5
53	30	‡Pavion Intl	34	–1	—	—	—	9.0
£130	£92	Do 11pc CnLn '94-02	£104	–1	Q11%	—	(11.0)	—
608	393	Pearson	512	–3	10.0	2.8	2.8	17.1

LEISURE—Continued

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr
115	58	Leisuretime Int 10p	88	.....	12.3	♦
117	100	‡Lewmar	105	.....	e2.63	♦
220	145	‡Media Tech Int 20p	145	.....	L2.58	5.4
175	140	Medminster 10p	145	–5	†15.35	2.7
220	130	‡Miss World 10p	190	.....	5.2	3.3
90	62	Nationwide Leisure	74	.....	Q.75	♦
17	10½	‡Nimslo Int 20c	13½	.....	—	—
35¾	23	‡Owners Abroad 5p	33	–½	1.5	2.3
90	46	Photax (Lon.)	68	.....	—	—
34	28½	‡P'dilly Radio NV 5p	30	.....	2.0	1.2
*73	25½	‡Pineapple 10p	65	.....	—	—
391	280	Pleasurama 5p	317	+2	7.5	3.2
178	136	Do. 7pcCvCmRedPf	152	.....	7%	—
		For Pres Entertainment see Hotels				
43	10	‡Radio City 'A' NV	30	.....	—	—
40	33	‡Radio Clyde N/V	42	.....	3.25	0.9
393	322	Really Useful Grp 5p	375	.....	b11.25	2.2
64	44	Riley Leisure 10p	45	+1	—	—
230	162	Saga Hols. 20p	163	.....	4.6	2.6
355	235	Samuelson Grp 20p	245	+5	2.4	6.5
123	75	‡Saagers Photo 10p	86	–4	‡2.2	♦
178	138	‡Scanro 50p	148	–5	4.0	3.3
340	172	Scot. TV 10p	335	.....	10.5	3.0
294	114	SeaCo Inc $0.125	184	.....	—	—
26	7	‡SelecTV 10p	23	+2	—	—
37	20	‡Spectrum 5p	35	.....	†1.20	4.8
46	31	TSW 5p	45	.....	11.7	2.4
285	150	TVS N/Vtg 10p	293xd	.....	10.0	2.5
188	118	‡Television Svcs 50p	135	–2	2.0	1.6
72	50	Tottenham Hotspur	70	.....	‡4.0	—
96	66	‡Trilion 10p	75	.....	L1.1	1.3
260	140	‡Tyne Tees TV 'A' £1	258	.....	a10.5	2.0
135	104	Ulster TV N/V 'A'	132	.....	15.25	2.6

MOTORS, AIRCRAFT TRADES

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

INVESTMENT TRUSTS—Cont.

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

MINES

MINES—Continued

NOTES

REGIONAL & IRISH STOCKS

" Recent Issues " and " Rights " Page 39 (International Edition Page 23)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
July 14	July 24	July 25	Aug 4
July 28	Aug 7	Aug 8	Aug 18
Aug 11	Aug 28	Aug 29	Sept 8

* " New-time " dealings may take place from 9.30 am two business days earlier.

International stocks lead rally in equities — index up 12.1

London equities staged a positive rally yesterday. A more cheerful atmosphere developed in the wake of the overnight advance on Wall Street where the Dow Jones Industrial Average rose 16.02 on hopes of lower interest rates.

Early interest in domestic markets centred chiefly on international stocks such as ICI, Jaguar and Glaxo which were soon showing useful rises. Most blue chip industrials followed in their wake, but the recovery was largely technical and the volume of trade remained low.

Inevitably, after the first couple of hours of trading, interest switched to the Royal wedding and business fell away to a trickle.

As a result, the bulk of yesterday's rise took place in the morning. Slightly lower opening indication from Wall Street failed to dampen sentiment and the Financial Times Ordinary share index, which recorded a rise of 11.8 at mid-day, edged a little higher to close around the day's best with a gain of 12.1 at 1286.8. The FT-SE 100 share index ended 13.1 higher at 1572.3.

ICI, scheduled to reveal second quarter figures today, closed ½ higher at £10. Elsewhere in the leaders, speculative activity persisted in Boots.

Tuesday's flurry of takeover activity enlivened interest in some of the other candidates regarded as possible targets, but most secondary stocks rarely strayed from previous closing levels.

Government securities opened higher following the previous day's late improvement and made a little further headway at the long-end of the market. However, a fresh early setback in U.S. bonds tended to unsettle sentiment in the late dealings when quotations took on an easier appearance. Closing gains in the longer maturities ranged to ¼, while short-dated issues settled with rises of around ⅛ after fluctuating narrowly.

Clearers better

Clearing banks staged a useful technical rally ahead of the forthcoming interim dividend season. Lloyd's, the first to report half-year results tomorrow, moved up 7 to 405p, while Midland appreciated 9 at 547p and Natwest added 10 at 513p. Barclays firmed 11 at 513p. Elsewhere, Union Discount gained 15 to 700p in response to comment on the Board's decision not to become a gilt-edged market-maker in October. Others made progress in sympathy with Cater Allen closing 10 dearer at 330p. Among Hire Purchases, Equity and General, speculatively supported of late in the wake of a large shareholding changing hands, hardened a fraction more to 25p following Press comment.

Lloyds Broker Stewart Wrightson touched a new peak of 475p initially on continuing hopes of a bid from Citicorp of the US, but subsequently reacted on profit-taking in the absence of any developments to end the session only a penny dearer on balance at 463p. Sedgwick, meanwhile, attracted a flurry of speculative buying on bid hopes to finish 15 better at 352p. Willis Faber added 10 at 415p as did PWS International at 320p, while Hogg Robinson moved up 7 at 321p. Among Life issues, Pearl firmed ¾ to £15¾ following new life business figures. Composites featured Royals 9 higher at 848p, after 850p; the interim results are scheduled for August 14.

TV-am staged a satisfactory debut in the Unlisted Securities Market: the shares, heavily oversubscribed at the offer for sale price of 130p, opened with a smaller-than-expected premium at 135p, but subsequent support took the price up to 141p for a first-day premium of 11. In sharp contrast, the market debut of international fund managers GT Management was very disappointing. The shares began trading at 200p, a discount of 10 on the offer price of 210p and dipped to 191p prior to closing at 196p. Industrial door manufacturers Harrison Industries touched 161p at one stage before settling at 158p—an 8p premium to the offer price of 150p.

Breweries again displayed a firmer bias. Guinness, a narrower market recently in reaction to boardroom unrest, attracted often sizeable support to finish 12 up at 315p. Whitbread A improved 5 to 270p helped by a "buy" recommendation from brokers de Zoete and Bevan in the wake of the chairman's confident statement at the annual meeting. H. P. Bulmer took Tuesday's rally a stage further, rising 9 for a two-day improvement of 14 to 163p amid persistent talk of a bid from Bass.

The majority of Building issues failed to participate in the general market upturn and the leaders finished with small irregular movements. Blue Circle hardened a couple of pence to 602p and BPB Industries edged up 3 to 513p, while AMEC improved a similar amount to 268p. Costain, on the other hand, slipped 4 to 580p. Elsewhere, Higgs and Hill attracted occasional buying interest and firmed 5 to 500p and Alfred McAlpine moved up 4 to 436p. Raine Industries, a firm market of late pending the outcome of merger discussions, dipped to 74p before closing a net 5 down at 79p following details of the acquisition of construction concern Millor Wheeldon, a company controlled by Mr A. N. R. Rudd. Profit-taking clipped 5 from Derek Crouch at 173p.

ICI edged up ½ to £10 in front of today's half-year figures. Other Chemicals gave a much steadier performance and some managed to partially recoup the losses of recent days. Allied Colloids rallied 5 to 200p and Fosece improved 6 to 238p, while Wardle Storeys moved up 5 to 339p. Yorkshire revived with a gain of 4 at 131p and Sutcliffe Speakman picked up 2 to 58p.

GUS rise on figures

Lack of investment incentive again hindered business in Stores. Apart from Great Universal, finally a fraction dearer at £10¼ following preliminary profits at the top end of market estimates, most leaders were content to hover around Tuesday's closing positions. Secondary counters highlighted Alexon which attracted a flurry of speculative demand awaiting news from the annual meeting and improved 13 to 178p. Top Value rallied 5 to 93p.

Electrical leaders staged a modest technical rally. Plessey still reflecting hopes that GEC would soon receive the green light from the authorities to bid for the company, touched 220p before closing a couple of pence dearer at 215p. British Telecom hardened a couple of pence at 190p, as did BICC, at 273p. Cable and Wireless, however, remained on offer at 645p, down 10. Elsewhere, Plasmec reflected the profits recovery with a gain of 6 at 36p and Sound Diffusion rose 2½ to 38½p in reply to the annual figures. Goring Kerr plummeted 60 more making a two-day decline of 90 at 310p on further consideration of the disappointing first-half results. Miles 33 gave up 10 at 200p, as did Polytechnic Marine, at 100p.

Birmid Qualcast provided an isolated firm feature in Engineerings, rising 8 to 138p following buying in the wake of a brokers' lunch with the company. Simon hardened a couple of pence to 237p, after 240p, on a newspaper's recommendation and revived support lifted Davy Corporation 4 to 125p and Glynwed 12 to 314p.

Recently-dull Food Retailers gave a better performance. ASDA-MFI hardened a couple of pence to 140p and J. Sainsbury rallied 6 to 378p, while Tesco improved 5 to 367p. Buying interest also revived for selected Food manufacturers. Cadbury Schweppes were up 7 at 169p on US support. United Biscuits picked up 4 to 29p and Hillsdown firmed 5 to 290p. Outside the leaders, Albert Fisher found buyers at 177p, up 6 and Nurdin and Peacock improved 4 to 170p. The return to profitability at the half-way stage helped Bensons Crisps add a penny to 38p.

Boots up again

Renewed speculative buying fuelled by vague takeover rumours helped Boots rise afresh to 259p before closing 5 better on the session at 257p. Glaxo firmed 18 to 978p on technical considerations and BTR put on 5 at 303p. Bank Organisation, however, fell 10 to 490p as brokers' Cazenove placed 5m shares at 478p; the shares were part of a stake held by Rank's charitable foundation. A chart "buy" signal helped British Aerospace move up 7 at 473p and Equipu rallied 10 to 150p following the better-than expected results. Coloroll found support at 192p, up 5, while AAH firmed 4 more to 137p on further consideration of the annual figures. The Times Veneer improved 3½ to 59p following revived speculative buying and Hestair moved forward 8 at 162p. Brengreen, which received an agreed cash bid of 45p per share from BET late on Tuesday, gained 2 45½p. Rock softened a penny to 25½p on news of the proposed £1.2m rights issue to help finance the acquisition of Fourth Quarter. The absence of bid developments left BHP 7 down at 350p, while Nolton came on offer at 46p, down 5.

In the Leisure sector, Medminster shed 5 to 145p following details of a £550,000 rights issue, but SelecTV firmed 2 to 23p on asset injection hopes.

Firmer from the outset reflecting sizeable overnight demand on Wall Street, Jaguar responded to follow-through support to close 17 up for a two-day gain of 27 to 523p.

Spafax Television provided an early firm feature, rising 17 to 150p in response to the agreed share-exchange terms from Aspen Communications, finally 8 cheaper at 337p. Advertising and related issues closed around the day's best. Saatchi and Saatchi rallied 20 for a two-day advance of 30 to 705p, while Charles Barker, depressed of late following an adverse mention, hardened a few pence to 145p.

Business in the Property sector remained at a low ebb. Among the occasional movements, United Real dipped 30 to 850p after reports that bid discussions with suitor Mountleigh could take some time to come to fruition. A. Caird attracted revived demand in a restricted market and added 3 to 43p, while rumoured shell situation Parkdale gained 5 to 69p.

Textiles again responded to selected speculative interest. Victoria Carpet, a firm market since the excellent full-year figures were revealed last week, advanced 10 to 114p, after 116p, amid takeover chatter; almost inevitably acquisition-minded John Crowther, a couple of pence up at 160p, were suggested as possible suitors. Harold Ingram were marked 10 higher to 160p following news of a property acquisition, while buyers again displayed occasional interest in Sekers International, 3 dearer at 123p. In contrast, Atkins Bros reacted to fresh profit-taking and dipped a few pence more to 273p, while Robert H. Lowe, strongly supported earlier in the week following the encouraging interim statement, ran back 5 to 100p.

Bats attracted revived US demand and put on 9 more for a two-day advance of 22 to 397p.

Oils quiet

The oil majors continued to ignore trends in crude oil spot markets which remained under pressure following news that Saudi Arabia has built up substantial stocks of oil ahead of Monday's Opec meeting in Geneva. The leading oils posted marginal gains at the outset of trading before easing slightly towards the close of business. Britoil ended the day a couple of pence up at 140p in front of tomorrow's interim results, while Tricentrol, 52p, were also a shade better.

Second-line issues continued to lose ground. Conroy Petroleum and Natural Resources initially moved ahead to 140p on consideration of the interim report but succumbed to profit-taking and closed a net 5 down at 133p. New London Oil eased 2 to 18p on news that Charterhouse Investment Management and Mr D. Caspary have decided not to go ahead with the proposed cash injection in exchange for new shares in New London.

Sentiment and turnover in South African mining markets was given a considerable boost by President Reagan's speech on South Africa on Tuesday evening. The President's reiteration of his previous stance against economic sanctions being imposed against the Republic prompted an initial sharp rise in the Financial Rand and led to a flurry of short covering in gold and related issues. The Financial Rand moved up from Tuesday's closing level of 19.75 cents to touch 21.5 cents before easing back to end the session around 20.625 cents. Gold shares were quick to improve and posted widespread strong gains before closing a shade below the day's best levels. The late bout of profit-taking followed the decline in the bullion price during afternoon trading. The metal price, which held around $352 for much of the morning, dropped sharply to around $344 before rallying to close a net $6 lower at $347.75 an ounce.

Of the leading Golds, Randfontein were outstanding and put on almost £2 to £42, while Vaal Reefs added £1½ to £35½ and Western Deep ½ to £16½. Southvaal gained ¾ to £16¾ and Buffels ⅜ to £10¼.

The Gold Mines index, registering its third consecutive improvement, moved up 7.5 to 197.2.

South African Financials mirrored the strong showing by Golds and Anglo American Corporation put on 15 to 675p, as did Gencor, 700p. "Johnnies" rose £2 to £52 and OFSIL ⅛ to £11⅛. "Amcoal," on the other hand, dropped 50 to a year's low of 475p amid continuing concern that any EEC economic sanctions against South Africa will include a ban on imports of coal from the Republic.

A neutral performance by overnight Sydney and Melbourne markets and the fall in the bullion price during the afternoon sparked off profit-taking in Australians, where Gold showed Central Norseman 10 lower at 368p, Gold Mines of Kalgoorlie a like amount down at 370p and Sons of Gwalia 4 easier at 202p. Australian Consolidated Minerals eased 2 to 98p despite the encouraging drilling report. Leading diversified stocks also came under pressure; CRA lost 10 to 240p, Peko-Wallsend 6 to 215p and MIM Holdings 5 to a 1986 low of 70p.

Traded Options

The expiry of the July series boosted total contracts struck in Traded Options to 23,397, comprising 13,716 calls and 9,681 puts. Of the expiring classes, Cable and Wireless recorded 988 calls and 549 puts, while operators also displayed interest in GEC and Courtaulds positions. Elsewhere, Hanson Trust again attracted substantial demand with 2,524 calls transacted—1,292 of which were done in the September 180's.

FINANCIAL TIMES STOCK INDICES

	July 23	July 22	July 21	July 18	July 17	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	88.86	88.74	88.55	88.88	89.48	83.25	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.65	95.55	95.63	95.92	96.14	88.29	97.68 (7/7)	86.55 (23/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1286.8	1274.7	1276.3	1295.4	1316.8	926.0	1425.9 (3/4)	1094.3 (14/1)	1425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	197.2	189.7	188.4	185.7	186.3	369.3	357.0 (27/1)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.27	4.31	4.31	4.25	4.19	5.01				
Earnings Yld.% (full)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				
P/E Ratio (net) (*)	11.78	11.68	11.70	11.86	12.05	9.77				
Total Bargains (Est)	23,021	23,348	26,074	23,173	28,575	20,328				
Equity Turnover £m.	—	404.78	435.55	616.78	531.53	279.88				
Equity Bargains	—	19,952	21,392	20,281	22,083	13,882				
Shares Traded (ml).	—	213.6	214.3	304.9	266.4	139.9				

S.E. ACTIVITY

Indices	July 22	July 21
Gilt Edged Bargains	196.1	128.3
Equity Bargains	129.3	139.6
Equity Value	818.2	880.4
5-Day Average		
Gilt Edged Bargains	131.1	138.3
Equity Bargains	132.2	134.4
Equity Value	1,006.4	1,059.7

♥ Opening 1281.1; 10 a.m. 1284.2; 11 a.m. 1286.0; Noon 1286.5; 1 p.m. 1286.4; 2 p.m. 1286.8; 3 p.m. 1287.4; 4 p.m. 1287.4

Day's High 1287.6. Day's Low 1281.1.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.39.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed July 23 1986 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Tues July 22 Index No.	Mon July 21 Index No.	Fri July 18 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (212)	700.98	+0.4	8.74	3.50	14.57	9.26	698.01	700.26	714.03	491.23
2	Building Materials (26)	794.95	+0.2	8.90	3.63	14.12	11.47	793.68	798.64	813.12	526.91
3	Contracting, Construction (30)	1222.95	—	7.81	3.73	17.52	18.95	1223.36	1221.78	1249.87	806.33
4	Electricals (12)	1827.26	+0.5	8.62	4.19	15.20	33.82	1818.48	1823.11	1851.62	1316.49
5	Electronics (38)	1575.25	+0.3	9.64	3.00	13.81	12.41	1570.36	1576.23	1592.32	1326.52
6	Mechanical Engineering (61)	390.90	+0.3	9.87	4.13	12.91	6.44	389.76	390.83	399.88	264.58
8	Metals and Metal Forming (7)	335.43	+1.1	8.63	4.25	14.75	5.01	331.73	334.35	345.95	182.69
9	Motors (16)	292.63	+0.9	9.01	3.31	12.94	3.78	289.97	289.28	298.99	149.85
10	Other Industrial Materials (22)	1256.67	+0.9	6.69	3.16	17.99	17.28	1245.93	1251.04	1277.51	865.98
21	CONSUMER GROUP (183)	900.55	+1.1	7.99	3.27	15.72	12.99	890.99	890.03	905.94	634.87
22	Brewers and Distillers (22)	905.52	+1.4	9.52	3.55	12.82	11.25	892.66	890.01	903.15	608.46
25	Food Manufacturing (22)	664.25	+0.9	9.58	3.93	13.65	12.20	658.07	662.67	677.95	472.13
26	Food Retailing (15)	1797.32	+1.3	6.39	2.86	21.36	16.13	1774.62	1789.34	1831.36	1504.09
27	Health and Household Products (10)	1528.26	+1.2	5.47	2.26	21.61	11.71	1510.50	1508.06	1529.04	1006.90
29	Leisure (28)	880.21	+0.8	8.13	4.08	16.14	18.83	873.09	880.13	892.95	594.67
32	Publishing & Printing (14)	2498.58	+0.9	7.68	4.01	16.80	48.48	2476.29	2502.96	2558.21	1720.43
33	Packaging and Paper (14)	471.06	+0.1	7.01	3.37	18.60	6.75	470.49	470.09	479.65	332.14
34	Stores (39)	855.71	+0.7	7.01	2.88	19.39	10.49	849.57	845.34	857.66	635.53
35	Textiles (17)	534.99	+0.4	9.77	3.62	11.86	8.01	533.02	533.59	543.67	304.96
36	Tobaccos (2)	1114.18	+2.3	13.48	4.39	8.20	20.60	1089.17	1085.64	1083.72	775.67
41	OTHER GROUPS (66)	750.58	+0.5	8.96	4.38	14.34	8.50	746.78	750.54	761.93	654.47
42	Chemicals (20)	924.15	+0.9	9.90	4.39	12.25	17.64	916.32	913.71	918.65	677.54
44	Office Equipment (4)	241.69	−1.7	7.69	4.38	15.73	4.59	245.83	247.66	249.92	189.44
45	Shipping and Transport (13)	1457.85	−0.1	7.86	4.28	16.06	28.44	1459.78	1461.05	1471.18	1112.42
47	Telephone Networks (2)	768.73	+0.5	10.93	4.78	12.49	2.53	765.18	776.71	792.74	836.99
48	Miscellaneous (49)	1027.92	+0.7	6.58	3.33	19.02	11.68	1021.05	1022.08	1041.66	797.53
49	INDUSTRIAL GROUP (483)	820.50	+0.8	8.41	3.54	15.07	10.70	814.21	815.42	829.85	609.03
51	Oil & Gas (17)	1201.57	—	17.01	7.51	7.04	41.46	1201.03	1197.04	1195.36	1094.23
59	500 SHARE INDEX (500)	854.08	+0.7	9.34	3.97	13.42	13.12	848.20	849.01	862.29	649.78
61	FINANCIAL GROUP (117)	603.58	+0.9	—	4.43	—	11.21	598.08	600.93	611.55	462.47
62	Banks (7)	648.93	+1.5	17.00	5.43	8.16	14.03	639.10	644.77	657.11	474.62
65	Insurance (Life) (9)	854.86	+1.2	—	4.37	—	17.27	845.02	849.90	878.30	719.45
66	Insurance (Composite) (7)	439.98	+0.7	—	4.23	—	9.46	436.77	438.74	495.35	360.40
67	Insurance (Brokers) (9)	1204.02	+2.7	8.68	3.97	15.07	23.40	1172.53	1166.26	1193.97	1022.27
68	Merchant Banks (12)	334.79	+0.4	—	3.25	—	4.56	333.31	335.70	343.39	229.28
69	Property (50)	781.03	−0.1	5.56	3.52	23.81	10.81	782.16	783.87	790.01	682.23
70	Other Financial (23)	340.41	+0.2	8.06	4.51	15.25	5.75	339.89	339.91	341.29	264.61
71	Investment Trusts (101)	744.72	−0.1	—	3.03	—	9.71	745.41	747.30	757.39	566.23
81	Mining Finance (2)	251.34	+1.0	14.34	6.38	8.13	6.11	248.94	245.43	246.08	233.32
91	Overseas Traders (14)	660.62	+0.8	11.47	6.58	10.35	19.63	655.49	653.54	667.58	611.36
99	ALL-SHARE INDEX (734)	779.84	+0.7	—	4.05	—	12.45	774.43	775.58	787.84	596.93

	Index No.	Day's Change	Day's High	Day's Low	July 22	July 21	July 18	July 17	July 16	Year ago
FT-SE 100 SHARE INDEX ‡	1572.3	+13.1	1574.0	1566.1	1559.2	1560.2	1584.4	1609.3	1597.3	1236.2

FIXED INTEREST

	PRICE INDICES	Weds July 23	Day's change %	Tues July 22	xd adj. today	xd adj. 1986 to date
	British Government					
1	5 years	121.79	+0.04	121.74	—	6.89
2	5-15 years	139.92	+0.19	139.65	—	7.78
3	Over 15 years	147.23	+0.24	146.87	—	7.93
4	Irredeemables	163.06	+0.05	162.98	—	7.27
5	All stocks	136.24	+0.15	136.03	—	7.57
	Index-Linked					
6	5 years	113.13	+0.33	112.77	—	1.18
7	Over 5 years	115.84	+0.26	114.74	—	1.99
8	All stocks	114.66	+0.27	114.35	—	1.84
9	Debentures & Loans	119.64	+0.23	119.37	—	5.82
10	Preference	84.42	−0.70	85.02	—	3.73

	AVERAGE GROSS REDEMPTION YIELDS		Weds July 23	Tues July 22	Year ago (approx.)
	British Government				
1	Low	5 years	8.24	8.27	10.18
2	Coupons	15 years	9.26	9.28	10.19
3		25 years	9.29	9.30	10.19
4	Medium	5 years	9.62	9.64	10.96
5	Coupons	15 years	9.60	9.62	10.51
6		25 years	9.60	9.62	[illegible]
7	High	5 years	[illegible]	[illegible]	[illegible]
8	Coupons	15 years	[illegible]	[illegible]	[illegible]
9		25 years	[illegible]	[illegible]	[illegible]
10	Irredeemables		[illegible]	[illegible]	[illegible]
	Index-Linked				
11	Inflat'n rate 5%	5 yrs.	3.85	3.99	0.0
12	Inflat'n rate 5%	Over 5 yrs.	3.55	3.57	0.0
13	Inflat'n rate 10%	5 yrs.	2.56	2.78	0.0
14	Inflat'n rate 10%	Over 5 yrs.	3.38	3.40	0.0
15	Debs & Loans	5 years	10.84	10.87	11.54
16		15 years	10.39	10.42	11.34
17		25 years	10.47	10.50	11.24
18	Preference		10.87	10.79	12.57

‡ Opening index 1566.1; 10 am 1569.5; 11 am 1570.6; Noon 1572.0; 1 pm 1572.7; 2 pm 1573.1; 3 pm 1573.6; 3.30 pm 1573.4; 4 pm 1573.4

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

CONSTITUENT CHANGES: Samuel Properties (69) has been deleted and replaced by Clayform Properties (69).

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (43)

AMERICANS (1) Ford Motor. BANKS (3) Algemene Bank, Banco de Bilbao, Banco de Santander. BREWERS (1) Brown (M.). BUILDINGS (1) HAT Group. CHEMICALS (1) Engelhard. ELECTRICALS (3) Arlen, Macro 4, Plasmec. FOODS (4) Cheshire Wholefoods, FII, Freshbake Foods, Safeway. INDUSTRIALS (8) Asea AB, Brengreen, Dominion Intl., Fletcher Challenge, Jardine Hldgs., Stocklake, Swedish Match B, Worcester. INSURANCE (3) Marsh and McLennan, Stewart Wrightson, Taisho Marine. NEWSPAPERS (1) Mountfield. PAPER (2) Smurfit (Jefferson), Spafax Television. PROPERTY (7) Brixton (P.), Estates Prop. Inv., [illegible] 1994, Hanover Druce, Marler Estates, Parkdale, Stockley. TRUSTS (8) Jove Inv. Inc., M and G 2nd Dual Inc., Moorgate Inv., [illegible], Berkeley Technology, Parrish (J. T.). OILS (1) Petrofina. MINES (1) Highwood Resources.

NEW LOWS (47)

LOANS (1) Nationwide Bldg. Soc. 9⅝pc 27/4/87. AMERICANS (5) Americas Medical Intl., [illegible], Demson Oil, IU Intl., Lone Star Inds. CANADIANS (1) Breakwater Res. BANKS (3) First National Finance [illegible], Mercury Intl., Schroders N/V. STORES (3) Bedford (Wm.), Casket (S.), DAKS Simpson A. ELECTRICALS (7) Black and Decker, Cranbrook Elect., Goring Kerr, Norsk Data, A. Polytechnic Elect., Security Tag Systems, Telecomputing. ENGINEERING (1) Wyndham. FOODS (1) Glover. INDUSTRIALS (5) Ashley Ind. Trust, CSR, Combined Technologies, Green (E.) and Partners, Ipeco. LEISURE (1) Argonaut. TRUSTS (5) Americas Trust, Independent Inv., Nordic Inv. Trust, Viking Res., Abingworth, Nat. Home Loans. OILS (8) Claremont Pet., Cons. Brisco, Floyd Oil, Gulfstream Res., Petrocon. MINES (8) Gold Cons., Anglo-American Coal, Angloval, Minorco, Emperor Mines, MIM Hldgs., Oakbridge, Cons Murchison.

BASE LENDING RATES

	%		%
ABN Bank	10	Exeter Trust Ltd	10½
Allied Arab Bank Ltd	10	Financial & Gen. Sec	10
Allied Dunbar & Co	10	First Nat. Fin. Corp	11
Allied Irish Bank	10	First Nat. Sec. Ltd	11
American Express Bk	10	● Robert Fleming & Co	10
Amro Bank	10	Robert Fraser & Ptrs	11
Henry Ansbacher	10	Grindlays Bank	10
Associates Cap Corp	10	● Guinness Mahon	10
Banco de Bilbao	10	● Hambros Bank	10
Bank Hapoalim	10	Heritable & Gen. Trust	10
Bank Leumi (UK)	10	● Hill Samuel	§10
Bank Credit & Comm	10	C. Hoare & Co	10
Bank of Cyprus	10	Hongkong & Shanghai	10
Bank of Ireland	10	Knowsley & Co. Ltd	10½
Bank of India	10	Lloyds Bank	10
Bank of Scotland	10	Mase Westpac Ltd	10
Banque Belge Ltd	10	Meghraj & Sons Ltd	10
Barclays Bank	10	Midland Bank	10
Benchmark Trust Ltd	10	● Morgan Grenfell	10
Beneficial Trust Ltd	10	Mount Credit Corp. Ltd	10
Brit. Bk of Mid. East	10	National Bk of Kuwait	10
● Brown Shipley	10	National Girobank	10
CL Bank Nederland	10	National Westminster	10
Canada Permanent	10	Northern Bank Ltd	10
Cayzer Ltd	10	Norwich Gen. Trust	10
Cedar Holdings	10	PK Finans. Intl (UK)	10½
● Charterhouse Bank	10	Provincial Trust Ltd	11
Citibank NA	10	R. Raphael & Sons	10
Citibank Savings	¶10¼	Roxburghe Guarantee	10½
City Merchants Bank	10	Royal Bank of Scotland	10
Clydesdale Bank	10	Royal Trust Co. Canada	10
Comm. Bk. N. East	10	Standard Chartered	10
Consolidated Credits	10	Trustee Savings Bank	10
Continental Trust Ltd	10	UDT Mortgage Express	10½
Co-operative Bank	*10	United Bank of Kuwait	10
The Cyprus Popular Bk	10	United Mizrahi Bank	10
Duncan Lawrie	10	Westpac Banking Corp	10
E. T. Trust	10	Whiteaway Laidlaw	10½
Equatorial Tst Corp. plc	10	Yorkshire Bank	10

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.09%. Top Tier—£25,000+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. † Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

EUROPEAN OPTIONS EXCHANGE

Series		Vol.	Last	Vol.	Last	Vol.	Last	Stock
[illegible]								
KLM P	Fl.50	295	6	6	7	—	—	
NEDL C	Fl.190	55	1.908	4	2.60	—	—	Fl.160.80
NEDL P	Fl.160	42	4.50	4	7.30	—	—	"
NATN C	Fl.85	199	2	18	4.20	2	6.20	Fl.79.60
NATN P	Fl.80	73	3.10	10	5.10	13	7.50	"
PHIL C	Fl.50	239	2.70	473	4.50	10	6.10	Fl.48.50
PHIL P	Fl.45	151	1.20	1224	2.20	41	2.50	"
RD C	Fl.190	746	6.70	38	11.50	2	15.20	Fl.189
RD P	Fl.180	145	2.50	307	4	19	5	"
ROBE C	Fl.90	6	1.50	—	—	—	—	Fl.89.90
ROBE P	Fl.90	6	1.50	—	—	1	3.50	"
UNIL C	Fl.500	194	17.50	79	28	4	40	Fl.489.50
UNIL P	Fl.480	154	11.20	6	168	11	19.50	"

TOTAL VOLUME IN CONTRACTS: 36,653

A=Ask B=Bid C=Call P=Put

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
July 21	Aug 1	Oct 23	Nov 3
Aug 4	Aug 15	Nov 6	Nov 17
Aug 18	Sept 5	Nov 20	Dec 1

For rate indications see end of Unit Trust Service

Call options were taken out in Parkdale, Westwood Dawes A and B, Sound Diffusion, Grand Metropolitan, Thomas Marshall (Loxley), Blacks Leisure, Britoil, Johnson and Firth Brown, Raine Industries, Appleyard, York and Equity, Burndene, Energy Capital, Abaco Investments, Blue Arrow, Brengreen, Armour Trust, Amstrad, Polly Peck, Barrie Investment and Finance, Riley Leisure and Petranol. No puts were reported, but doubles were transacted in Brengreen, Amstrad, Underwoods, Raine Industries, Parkdale and Sheraton Securities.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Alexon	178	+13	Raine Industries	79	− 6
Birmid Qualcast	138	+ 8	Saatchi and Saatchi	705	+20
Boots	257	+ 5	Smurfit (Jefferson)	213	+ 9
Coloroll	192	+ 5	Sound Diffusion	38½	+ 2½
GUS "A"	£10¼	+ ⅛	TV-am	141	—
Jaguar	523	+17	Victoria Carpet	114	+10

TUESDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Tues. close	Day's change	Stock	No. of changes	Tues. close	Day's change
Burndene Invs.	23	83	+18	Asda-MFI	11	138	− 4
Cable & Wire.	19	655	−20	Grand Met.	11	388	− 2
TACE	18	620	+20	Jaguar	11	506	+10
Britoil	12	138	− 3	NatWest Bank	11	502	− 5
Glaxo	12	866	+ 6	Storehouse	11	311	+ 1
Prudential	12	832	− 6	Boots	10	252	+ 3

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	95	0	17
Corporations, Dominion and Foreign Bonds	7	9	64
Industrials	349	238	921
Financial and Properties	124	90	363
Oils	12	25	61
Plantations	0	0	15
Mines	64	37	86
Others	89	49	113
Totals	740	448	1,640

LONDON TRADED OPTIONS

Option		Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
Allied Lyons (*320)	300	27	40	50	1	6	8
	330	0½	20	33	7	20	25
	360	0½	10	13	37	40	45
B.P.	500	85	90	97	1	4	8
[illegible]							

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
P. & O. (*490)	460	40	53	72	9	13	18
	500	10	28	47	18	33	38
	550	3	10	22	63	65	70
	600	1	4	—	113	113	—
[illegible]							

July 23. Total contracts 23,397. Calls 13,716. Puts 9,681.

*Underlying security price.

WORLD STOCK MARKETS

BELGIUM/LUXEMBOURG

GB Inno BM	7,295	-45
GBL (Brxl)	3,073	...
Generale Bank	6,750	-50
Gevaert	6,500	...
Hobeken	7,210	+50
Intercom	3,600	...
Kredietbank	18,400	+500
Pan Hldgs	11,200	...
Petrofina	8,650	...
Royale Belge	27,000	+500
Soc. Gen. Belge.	2,835	-25
Sofina	8,680	+130
Solvay	7,570	-30
Stanwick Intl	396	...
Tractinel	6,516	-40
UCB	7,920	+75
Wagons Lits	5,816	-30

GERMANY

Kaufhof	434	+4
KHD	205.0	-9
Kloeckner	75	+1
Linde	664	+13
Lufthansa	166	+2
MAN	219	+6
Mannesmann	170.3	-3.5
Mercedes Hld	279	+18
Metallgesell	265	...
Muench Rueck	2,195	+6
Nixdorf	575.5	+4.5
Porsche	960	-5
Preussag	170	...
Rhein West Elect	188.5	+1.8
Rosenthal	522	...
Schering	383	+9
Siemens	605	+10
Thyssen	167	+2
Varta	312	+6
Veba	247.5	+8
V.E.W.	159.5	+2.3
Verein-West	465	...
Volkswagen	447	+3

DENMARK

July 23	Price Kr %	+ or —
Andelsbanken	317	-5
Baltica Skand	676	-10
Cop Handels'nk.	939	-3
D. Sukkerfab	345	-3
Danske Bank	283	...
De Danske Luft.	1,650	-50
East Asiatic	195	+1
Forenede Brygg.	1,050	...
Forenede Damp.	218	...
GNT Nid	420	-5
I.S.S.B.	600	-5
Jyske Bank	350	+5
Novo Inds*	262	+2
Privatbanken	236	+1
Provinsbanken	234	-1
Smidth (F.L.) B	282	-5
Sophus Berend	816	-5
Superfos	295	...

ITALY

July 23	Price Lira	+ or —
Banca Com'le	83,950	...
Bastogi-IRBS	690	+20
Centrale	5,595	...
C.I.R.	12,005	-95
Credito Italiano	3,275	+3
Fiat	13,350	+70
General Assicur.	150,200	+2,100
Italcementi	73,100	+200
La Rinascente	1,080	+13
Montedison	3,270	-70
Olivetti	15,040	+60
Pirelli Co.	7,300	-55
Pirelli Spa	3,085	-20
Saipem	6,499	+29
Snia BPD	4,995	+3
Toro Assic.	26,495	...

FRANCE

July 23	Price Frs.	+ or —
Emprunt 4½% 1973	1,332	+3
Emprunt 7% 1973	7,750	-20
Accor	434	+19
Air Liquide	739	+8
BIC	699	-3
Bongrain	1,900	+10
Bouygues	1,225	+28
BSN Gervais	3,911	+111
CIT Alcatel	2,250	-20
Carrefour	3,220	+10
Club Mediter'n	357	-7
Cie Bancaire	1,199	+19
Cofimeg	390	-4
Damart	2,008	-7
Darty	3,460	+50
Dumez S.A.	1,600	+86
Eaux (Cie Gen)	1,155	+93
Elf Aquitane	273.3	-3.3
Essilor	8,855	-55
Gen. Occidentale	1,061	+42
Imetal	55.5	+5
Lafarge Coppee.	1,300	+17
L'Oreal	5,723	+18
Legrand	4,119	+72
Maisons Phoenix	961	-9
Matra S.A.	2,326	...
Michelin B	5,166	+88
Midi (Cie)	6,250	+260
Moet-Hennessy	2,190	+30
Moulinex	68	+2.5
Nord Est.	185	+2.2
Pernod Ricard	967	+11
Perrier	812	+17
Petroles Fra.	368.5	-1.5
Peugeot S.A.	820	+15
Printemps (Au.)	546	+13
Radio tech	886	+19
Redoute	1,819	+64
Roussel-Uclaf	1,459	-1
Sefimeg	432	...
Skis Rossignol.	1,300	+60
Telemec Elect	3,300	...
Thomson (CSF)	1,470	+25
Valeo	472	+2.2

NETHERLANDS

July 23	Price Fls	+ or —
ACF Holding	303	+2.3
AEGON	101.2	+0.8
Ahold	69	+1.1
AKZO	158	+0.3
ABN	600	-2
AMEV	75.8	+0.8
AMRO	106.8	-0.2
Bredero Cert	246	-1
Bos Kalis Westm.	14.2	...
Buehrmann Tet.	911	+1
Calland Hlgs	18	+0.6
Dordtsche Pet'm	177.3	+1.8
Elsevier-NDU	204.5	+3
Fokker	66.3	+1.6
Gist Brocades	33.4	-0.3
Heineken	165	...
Hoogovens	107.3	+1.3
Huntr Doug NN	60.1	...
Int. Mueller	83.2	+0.9
KLM	45.8	+6.5
KNP	156	+0.5
Naarden	60.3	+0.1
Nat Ned Cert	72.6	-0.4
Ned Mid Bank	205.5	+1.5
Nedlloyd	160.8	+0.3
Oce Grinten	606	+1
Ommeren (Van)	55.6	+0.4
Pakhoed	59.3	+1.1
Philips	48.8	-0.8
Robeco	89.9	+0.2
Rodamco	232.3	-0.2
Rolinco	81.5	+0.2
Sorento	60.2	...
Royal Dutch	189	+0.8
Unilever	483.3	+1
VMF Stork	307	+1.8
VNU	318	-19.5
Wessanen	72.1	-0.1
West Utr Bank	60	...

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO
Prices at 2.30pm July 23

MONTREAL
Closing prices July 22

Indices

NEW YORK

OVER-THE-COUNTER
Nasdaq national market, 2.30pm prices

Continued from Page 33

North American quarterly results

Continued from Page 14

LONDON
Chief price changes
(In pence unless otherwise indicated)

RISES

Alexon	175	+13
Barclays	513	+11
Birmid Qualcast	138	+8
Boots	257	+5
Bulmer (H.P.)	163	+9
Cad Schweppes	169	+7
Equipu	150	+10
Fosceo Minsep	228	+6
Glaxo	973	+18
Guinness	315	+12
Hillsdown	280	+5
Jaguar	523	+17
Plessey	36	+6
Sedgwick	352	+15
Spear Television	150	+17
United Biscuits	229	+4
Victoria Carpet	114	+10

FALLS

Goring Kerr	319	-60
Medminster	145	-5
Raine Inds	79	-5
Rank Org	490	-10

Prices at 3pm, July 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	13½	AAR s	.44	1.9	18	37	23⅜	22⅞	22⅞	-½
29	21¼	AOI	.92	3.9		273	23¾	23⅛	23½	+½
33	11½	AFG s			26	1529	31¼	30¾	31¼	+⅜
25⅜	13¾	AGS			13	105	18¼	17⅞	18	-¼
60⅝	37½	AMR			12	1596	49¾	48⅛	48⅛	-½
27½	23¼	ANR pf2.87		10		1	25½	25½	25½	-½
24	19¼	ANR pf2.12		9.2		6	23	23	23	-½
12½	8½	APL			6	10	11⅜	11⅜	11⅜	
16¾	11⅛	ARX	.71f	6.2	10	110	11⅞	11⅜	11½	+¼
51	28¾	ASA	2a	6.5		315	31¼	30¾	30¾	-¾
18⅜	10½	AVX			29	188	11	10¾	11	+⅛
32	22⅝	AZP	2.72	8.8	8	1797	31⅛	30⅞	31	-⅛
56	26⅜	AbtLb s	.84	1.7	23	2422	50¾	50	50⅜	
32	19⅝	AccoWd	.56	2.1	18	186	27	26¾	26⅞	+⅛
16⅞	9¼	AcmeC	.40	4.1		104	9⅞	9¾	9⅞	
9¼	7	AcmeE	.32b	4.0	20	5	8	7⅞	8	
20¾	17	AdaEx	1.90e	9.3		111	20⅜	20¼	20½	+⅛
33⅜	18	AdmMl	.40	1.3	14	7	31⅜	31¼	31⅜	+⅛
20⅜	11¼	AdvSys	.83t	4.8	18	59	17⅜	17	17¼	-⅛
32⅞	14¼	AMD				5280	15⅜	14⅝	14⅞	-⅛
12⅝	6¾	Adobe n				48	7⅛	7	7	
20¼	15¼	Adob pf2.40		14		23	17⅝	17⅜	17½	+⅛
16⅜	7⅜	Advest	.12a	.7	14	428	17¼	16¾	17⅛	+⅜
66¼	42¼	AetnLf	2.64	4.4	11	2478	58½	58¼	59½	-¾
57½	51½	AetL pf4.28e		8.1		101	52⅝	52½	52⅝	-⅛
101½	95	AetL pfC3.31e		3.5		2	94	d94	94	-1

Continued on Page 33

NYSE COMPOSITE PRICES

Continued from Page 32

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
58¼	53½	Xerox pf5.45		9.7		24				
28¾	20⅝	XTRA	.64	2.8		41	22⅝	22⅜	22⅝	+¼
17⅝	15⅛	Yorkln n				479	15¾	15½	15¾	+¼
38	28¼	ZaleCp	1.32	3.3		180	38½	37⅜	37⅜	
10¼	3½	Zapata	.03j			103	4⅛	4	4	
43⅞	23⅞	Zayre s	.32	.9	22	1629	36⅝	36¼	36⅝	+⅛
17	11⅜	Zemex	.40	3.4	12	2	11⅝	11⅝	11⅝	+½
29⅞	18¼	ZenithE				319	22⅛	22	22⅛	
19¼	8⅝	ZenLb s			17	2052	13⅛	12¼	12¾	+⅛
22⅜	14¾	Zero s	.29	1.7	17	20	17	16⅝	16¾	+⅜
45¾	33	Zurn	1.32	3.8	12	139	34⅝	34¼	34½	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, July 23

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 31

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Preoccupied by Volcker and data

A COMBINATION of strong Government economic data and views on the US economy from Mr Paul Volcker, head of the Federal Reserve Board, preoccupied Wall Street yesterday, *writes Paul Hannon in New York.*

The stock market reaction was muted as investors also evaluated the latest wave of corporate results, while the bond market dropped sharply on the Fed's stance over future discount rate cuts.

Mr Volcker said that another rate cut, although not necessarily likely to moves by West Germany or Japan, would not help US industry because of the strong trade imbalance.

At the close the Dow Jones industrial average was up 3.24 at 1,798.37.

Among leading blue chips, IBM fell a further $¼ to $133⅜. Merck, which announced plans for a major stock buy-back late on Tuesday, fell $1 to $105 and American Can jumped $2⅝ to $83¼.

Poor results continued to come from the troubled rail sector with Union Pacific slipping $¼ to $55 after releasing lower profits for the first half. Burlington Northern, however, recovered $½ to $59½ on further consideration of its second-quarter write-down. CSX, actively traded on Tuesday, added $¼ to $28.

Oils were an early feature as Exxon revealed a surge in second-quarter profitability. Its share price, partly reflecting uncertainty over spot oil *trading*, dipped $¼ to $60. Tenneco slipped $⅜ to $38⅜ on doubled six-month earnings but weaker second-quarter figures that reflected a change in accounting procedures.

Pennzoil, up $3 at $57, denied rumours that it had settled its losses with Texaco, $¼ bigber at $30⅞. Both companies were unavailable for comment.

The Detroit car sector was weaker on the latest quarterly figures. General Motors lost an early $1 to $73¾ on its second-quarter downturn and forecast for a loss in the current three months. Chrysler's softer profits performance was reflected in the $¼ drop to $37⅞.

Ford retreated $⅜ to $56 after showing lower mid-month sales figures, while American Motors firmed $⅛ to $3⅞ on the news that the French state-owned Renault is to dilute its stake in the US car group.

A poor quarterly showing for E.F. Hutton, the investment banking and brokerage group, produced a $1 drop to $33⅜.

Bank America, which stunned Wall Street last week with a huge loan provision, regained its poise with a $⅛ gain to $13⅞.

FGIC Corp, a municipal bond insurance company, headed the most active list early in the session on its initial offering of 4m shares. FGIC traded $4 above its offer price of $24.

Panhandle Eastern, the pipeline operator, was also active as a Merrill Lynch analyst repeated his sell recommendation. Panhandle dropped $1⅛ to $42⅝ in heavy trading.

The computer sector was busy again as Data General, which revealed a reduced loss for the third-quarter of $2m, firmed $⅝ to $33 in moderate turnover. Control Data fell $¼ more to $22¼ in response to its growing quarterly losses.

Among the recent active stores sector, which has seen a flurry of bids, Safeway dipped $¼ to $60⅝ in very heavy turnover as Dart Group persisted with its takeover approach.

Kroger, the second largest supermarket chain after Safeway, retreated $1 to $61⅛ in reaction to its restructuring plans.

McDonald's, the leading hamburger chain which showed record profits for the quarter in the previous session, continued to lose ground with another $⅝ drop to $66⅛.

Dart & Kraft slipped $⅝ to $59⅝ after the group announced the intention to buy Tombstone Pizza for an undisclosed sum.

Steels continued to trade actively with LTV picking up a further $⅛ to $3⅞ in beavy turnover, while USX dipped $⅛ to $17⅞. Bethlebem Steel, weaker in recent sessions, recovered $⅛ to $10⅛.

In the bond market, prices moved sharply lower in response to the latest economic data and the comments by Mr Volcker on the prospects of a further cut in the discount rate.

The Treasury's long bond, the 7¼ due in 2016, fell overa full point at 98²⁹⁄₃₂ to yield 7.35 per cent while the 10 year bond, the 7⅜ due in 1996, was ¹¹⁄₃₂ lower at 100²⁰⁄₃₂ to yield 7.29 per cent.

Fed funds opened at 6⅝ per cent and beld at that level for most of the session. The rates on Treasury bills jumped with the three month issue eight basis points higher at 5.83 and the six-month issue nine basis points up at 5.89 per cent. The rate on the one-year bill, at 5.94 per cent, was eight basis points ahead.

EUROPE

Rise in $ sparks off enthusiasm

A SPARK of enthusiasm generated by the dollar's slight climb lit up Europe yesterday, turning most bourses higher for the first time this week.

Frankfurt ended at its highs for the day as investors picked up shares at bargain prices. Foreigners returned to the foray and turnover was moderate, pushing the *Commerzbank index* up 24.4 to 1,786.8.

Interest was attracted by the banking sector, which has suffered quite severely during the recent downturn, even though West German banks are expected to report record earnings for the year.

Deutsche advanced DM 12 to DM 747, Dresdner DM 1 to DM 391.50, Commerzbank DM 9.50 to DM 288.50 and Bayerische Vereinsbank DM 21 to DM 502.

Cars and chemicals recovered after being marked down sharply this week. Daimler added DM 32 to DM 1,138, VW DM 5 to DM 447, BASF DM 4.60 to DM 243.60 and Hoechst DM 7.30 to DM 248.30.

Degussa, however, was DM 3 lower at DM 357.30.

Speculation that the dollar will drop further and that domestic interest rates will be cut in the autumn spurred trading in bonds. Prices gained as much as 30 basis points by the close.

The Bundesbank sold DM 73.1m worth of paper after selling DM 11.1m in the previous session.

Amsterdam rose slightly despite some lingering nervousness after Tuesday's dramatic losses. The ANP-CBS index edged 2.3 higher to 284.3.

Some industrials recovered from their low levels: Akzo advanced 60 cents to Fl 158 and Hoogovens Fl 1.30 to Fl 107.30, while Fokker gained Fl 1.80 to Fl 88.30 and KNP added 30 cents to Fl 156.

In the international arena, Royal Dutch at Fl 189 was 80 cents higher and Unilever ended at Fl 483.50, up Fl 1.

Bonds were mixed to unchanged in quiet trading.

Paris ended a lively session with about a 1 per cent gain across the board.

Retailers and electricals were especially popular. Printemps closed at FFr 545 after a gain of FFr 13 and Galeries Lafayette recorded a FFr 22 advance to FFr 1,053.

Declines were led by Générale de Fonderie, down 8.2 per cent to a year's low of FFr 14.40, while other weak issues were CIT – Alcatel off FFr 20 at FFr 2,250 and Maisons Phoenix, FFr 9 lower at FFr 201.

Milan pushed higher as hopes returned for a settlement to the country's political turmoil.

The best performers included Fiat, up L70 at L13,350 and Mediobanca, the state-controlled bank which is expected to announce shortly a capital increase operation. It rose L19,100 to L255,100.

Insurer were strong with Generali up L2,100 at L130,200.

Zurich recovered from the previous day's sharp losses, while some industrials continued to suffer from the lower turnover reported by Hoffman-la Roche.

Hoffmann bearer dropped SFr 200 to SFr 9,300, while its participation certificates gave up SFr 1,500 to SFr 93,250. Ciba Geigy was also lower, ending off SFr 75 at SFr 2,925.

Bonds were steady.

Stockholm and **Oslo** were considerably higher – Sweden's rosy economic figures attracted investors back into the market – while **Brussels** was narrowly mixed in fairly active trading.

Madrid rallied throughout the session to end higher.

LONDON

LONDON EQUITIES staged a positive rally yesterday, as a more cheerful atmosphere developed in the wake of the overnight advance on Wall Street.

Early interest in domestic markets centred chiefly on international stocks and most blue chip industrials followed in their wake. But the recovery was largely technical and the volume of trade remained low.

Inevitably, after the first couple of hours of trading, interest switched to the Royal wedding and business fell away to a trickle.

The Financial Times ordinary share index closed around the day's best with a gain of 12.1 at 1,286.8. The FT-SE 100 share index ended 13.1 higher at 1572.3.

Chief price changes, Page 31; Details, Page 30; Share information service, Page 28–29.

SOUTH AFRICA

GOLD SHARES ended sharply lower in Johannesburg, giving up much of their recent advance as the bullion price slipped back below $350 an ounce.

Randfontein fell R7 to R300, Kloof R1.20 to R22.80 and Deelkraal 55 cents to R9.10.

Similar declines were seen among mining financials, platinums and diamond miners.

HONG KONG

RENEWED DEMAND by overseas institutions took Hong Kong strongly ahead for the third consecutive session.

The Hang Seng index climbed 25.43 to 1,816.96 – above the psychologically important 1,800 level for the first time in two months.

Corporate news and takeover speculation again provided an important spur to the market.

Hongkong and *Kowloon Wharf, due* to announce full-year figures tomorrow, advanced 5 cents to HK$7.40.

In the utility *sector*, market speculation about a takeover struggle for Hongkong and China Gas faded, leaving the *shares down* 30 cents *to* HK$18.80.

SINGAPORE

PROFIT-TAKING and a continued absence of fresh demand left Singapore lower.

The Straits Times industrial index lost 2.54 to 726.24 with many investors unwilling to take up *new positions* ahead of the Malaysian general election on August 2 and 3.

Promet led the *active list edging* ½ cent higher to 49½ cents. Van der Horst dipped 7½ cents to 81½ cents and Faber Merlin *was unchanged* at 51 cents.

New Straits Times fell 20 cents to S$4.78, Fraser and Neave 10 cents to S$7.25 and Cold *Storage 8 cents* to S$3.22.

AUSTRALIA

A MIXED MOOD emerged in Sydney that left the All Ordinaries index just 1.1 higher at 1,137.7.

Activity was dominated by option activity in BHP and heavy trading in Elders IXL. BHP shed 2 cents to A$8.36 with more than 4.5m shares worth nearly A$35m traded. *Elders* fell 5 cents to A$4.90.

Adelaide Steamship which reportedly has to buy BHP shares to cover *an option* agreement with Bell Resources fell 30 cents to A$10.70.

CANADA

A BROADLY lower performance was seen in Toronto with oil stocks leading the decline.

Sears Canada proved an active feature falling C$¾ to C$13¼ as the market continued to react to its lower six month earnings and the announcement that June and July sales had not matcbed up to expectations.

TOKYO

Lower rate hopes bring sharp rise

STRONG BUYING of low-priced large-capital stocks drove share prices sharply higher in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei market average which surged into record territory at one stage, finished at 17,860.07, a rise of 220.75 points. Volume swelled to 1.14bn shares from Tuesday's 568.92m. Advances led declines by 572 to 291, with 122 issues unchanged.

The US Commerce Department's announcement on Tuesday of lower than expected growth aroused expectations for concerted official discount rate cuts by the US and Japan. This, coupled with Wall Street's overnight advance, prompted institutional and individual investors to participate actively in the market.

Leading securities houses said the market was under the influence of institutimal investors and business corporatinns, which bad massive surplus funds.

On the trading floor, Tokyo Electric Power rose Y430 to top Y5,000 for the first time at Y5,300. Its climb was bolstered by active buying by institutional investors.

Tokyo Gas advanced Y40 to Y645. Other electric and gas utilities fared well.

Institutional investors also bougbt large-capital steels and shipbuildings. Nippon Kokan topped the active list with 150.85m sbares and gained Y12 to Y234. Kawasaki Steel, second with 89.77m shares, added Y11 to Y213. Nippon Steel rose Y8 to Y195, wbiie Ishikawajima-Harima Heavy Industries put on Y32 to Y367.

Issues related to the Government's fiscal investment and loan programme gained ground, supported by investor expectations for pump-priming measures to be taken by the new cabinet of Prime Minister Yasuhiro Nakasone. Obbayashi gained Y19 to Y748, Kajima Y34 to Y945 *and* Kandenko Y500 to Y4,700.

Asset-heavy stocks were also under the spotlight, with Mitsubishi Estate ad*vancing* Y130 to Y2,260 *and* Nippon Express Y38 to Y1,020.

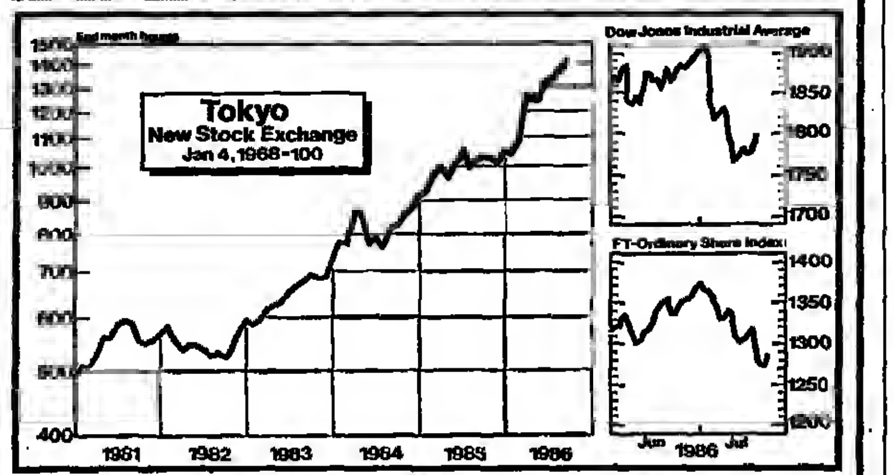
Among other gainers were some non-life insurances and securities houses. Tokio Marine and Fire Insurance rose Y50 to Y1,470 and Nomura Securities Y110 to Y2,710.

Bond prices eased fractionally in reaction to the drop in US bond prices that followed the upward revision of US GNP growth for the first quarter.

The yield on the benchmark 8.2 per cent government bonds, maturing in July 1995, rose sligbtly to 4.7 per cent from the previous day's 4.69 per cent. On the inter-broker market, the yield moved in a narrow range of 4.695 per cent to 4.715 per cent.

The fact that bond prices moved little, despite falling US bond prices, indicates that institutional investors remain optimistic about market prospects, dealers said.

KEY MARKET MONITORS



STOCK MARKET INDICES

	July 23	Previous	Year ago
NEW YORK			
DJ Industrials	1,802.59*	1,795.13	1,351.81
DJ Transport	728.63*	729.75	696.27
DJ Utilities	205.53*	205.31	159.26
S&P Composite	238.88*	238.18	192.55
LONDON			
FT Ord	1,286.8	1,274.7	926.0
FT-SE 100	1,572.3	1,559.2	1,233.1
FT-A All-share	779.84	774.43	596.93
FT-A 500	854.08	848.20	649.78
FT Gold mines	197.2	189.7	369.3
FT-A Long gilt	9.59	9.61	10.61
TOKYO			
Nikkei	17,860.07	17,639.32	12,768.8
Tokyo SE	1,421.51	1,395.02	1,042.10
AUSTRALIA			
All Ord.	1,137.7	1,136.7	933.6
Metals & Mins.	502.1	506.3	546.1
AUSTRIA			
Credit Aktien	232.96	233.35	100.01
BELGIUM			
Belgian SE	3,638.08	3,642.06	2,313.61
CANADA	July 23	Prev	Year ago
Toronto			
Metals & Mins	2,011.4*	2,007.6	2,030
Composite	2,965.4*	2,971.0	2,777.9
Montreal			
Portfolio	1,486.53*	1,485.74	137.58
DENMARK			
SE	205.68	206.92	211.35
FRANCE			
CAC Gen	367.10	363.70	217.9
Ind. Tendance	139.60	138.10	80.7
WEST GERMANY			
FAZ-Aktien	594.62	583.92	477.87
Commerzbank	1,786.80	1,762.40	1,405.8
HONG KONG			
Hang Seng	1,816.96	1,791.53	1,673.85
ITALY			
Banca Comm.	692.11	682.85	359.03
NETHERLANDS			
ANP-CBS Gen	284.30	282.00	218.1
ANP-CBS Ind	284.40	282.80	185.9
NORWAY			
Oslo SE	345.69	347.39	345.89
SINGAPORE			
Straits Times	726.24	728.78	778.89
SOUTH AFRICA			
JSE Golds	–	1,335.6	928.4
JSE Industrials	–	1,214.9	1,010.5
SPAIN			
Madrid SE	172.18	172.15	80.81
SWEDEN			
J & P	2,475.27	2,455.80	1,351.99
SWITZERLAND			
Swiss Bank Ind	502.00	503.40	461.8
WORLD	July 22	Prev	Year ago
MS Capital Int'l	324.5	323.1	221.8

COMMODITIES

(London)	July 23	Prev
Silver (spot fixing)	333.15p	336.35p
Copper (cash)	£898.25	£895.50
Coffee (September)	n/a	£1,901.00
Oil (Brent blend)	$8.65	$9.30

GOLD (per ounce)

	July 23	Prev
London	$347.75	$353.75
Zürich	$347.20	$353.70
Paris (fixing)	$352.26	$352.40
Luxembourg	$351.85	$353.60
New York (Aug)	$349.00	$353.70

CURRENCIES

	US DOLLAR		STERLING	
(London)	July 23	Previous	July 23	Previous
$	–	–	1.4920	1.4905
DM	2.1350	2.1370	3.1850	3.1850
Yen	157.30	156.75	234.75	233.5
FFr	6.8900	6.8975	10.28	10.28
SFr	1.7260	1.7270	2.575	2.575
Guilder	2.4050	2.4080	3.59	3.59
Lira	1,464.5	1,465	2,185	2,1835
BFr	44.00	44.00	65.65	65.55
C$	1.3895	1.3835	2.0720	2.0615

INTEREST RATES

	July 23	Prev
Euro-currencies (3-month offered rate)		
£	10⅞	10⅞
SFr	5	4¹⁵⁄₁₆
DM	4⅝	4⅝
FFr	7⁵⁄₁₆	7¼
FT London Interbank fixing (offered rate)		
3-month US$	6⁹⁄₁₆	6⁹⁄₁₆
6-month US$	6⁹⁄₁₆	6⁹⁄₁₆
US Fed Funds	6⅝*	8½
US 3-month CDs	6.20*	6.425
US 3-month T-bills	5.805*	5.88

US BONDS

Treasury		July 23 Price	Yield	Prev Price	Yield
7⅜	1988	100¹¹⁄₃₂	6.70	100²⁰⁄₃₂	6.561
7¼	1993	100⁷⁄₃₂	7.20	100²⁸⁄₃₂	7.061
7⅜	1996	100²⁰⁄₃₂	7.27	101¹⁰⁄₃₂	7.175
7¼	2016	98²⁹⁄₃₂	7.35	100⁴⁄₃₂	7.236

Source: Harris Trust Savings Bank

Treasury Index Maturity (years)	Return index	July 23* Day's change	Yield	Day's change
1–30	153.33	–0.75	7.33	+0.10
1–10	146.26	–0.38	7.09	+0.10
1–3	137.43	–0.21	6.76	+0.10
3–5	148.29	–0.48	7.29	+0.11
15–30	178.76	–2.05	8.14	+0.12

Source: Merrill Lynch

Corporate	July 23 Price	Yield	Prev Price	Yield
AT & T 3⅞ July 1990	90⅜	6.59	90⅜	6.59
SCBT South Central 10⅞ Jan 1993	105.85	9.66	106.10	9.28
Phibro-Sal 8 April 1996	99⅜	8.12	99	8.10
TRW 8⅜ March 1996	103.95	8.15	103.20	8.18
Arco 9⅞ March 2016	104½	9.41	104½	9.41
General Motors 8⅛ April 2016	91⅛	8.98	92	8.90
Citicorp 9⅜ March 2016	97	9.68	97¼	9.64

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	97–20	98–00	97–08	98–23
US Treasury Bills (IMM) $1m points of 100%				
Sept	n/a	n/a	n/a	n/a
Certificates of Deposit (IMM) $1m points of 100%				
Sept	n/a	n/a	n/a	n/a
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	93.47	93.54	93.46	93.59
20-year Notional Gilt £50,000 32nds of 100%				
Sept	119–12	120–08	119–12	119–28

* Latest available figures

Paul Hannon in New York reports on the waning appetite for fast foods

Restaurant industry seeks new recipe for growth

THE US restaurant industry is in a state of turmoil. After two years of low profitability, overbuilding, failed corporate strategies and changing social patterns, the industry is faced with a demanding and very unclear future.

"There are more than 100 publicly-quoted restaurant companies in the US," says Mr Joe Doyle, restaurant specialist for Smith Barney, Harris Upbam, "and only a bandful that can make money consistently and could be considered a reasonable investment. Growth is going to be very selective."

McDonald's, whicb on Tuesday released record results for the last quarter, is still reigning supreme despite all the upheaval.

"With McDonald's you are buying consistency," says Mr Hugh Zurkuhlen, restaurant analyst at Salomon Brothers. "That applies to the product and the sbare price."

The leading hamburger chain is a notable exception as mounting evidence suggests that Americans are becoming increasingly fed up – literally – with fast food.

The shift by more people to "healthier" food has spawned a host of problems for the once untouchable hamburger giants of the US restaurant industry, while the increased social activity of a younger generation of professionals – the legendary yuppies – has complicated the growth pattern and likely profitability of much of the broader industry.

Since the 1984 Olympics in Los Angeles, the restaurant industry has faced lacklustre growth in existing fast food cbain outlets, less earnings power from traditional products and a more demanding clientele. Any likely future growth seems tied to menu diversification and, ironically, chain expansion.

"We are not sanguine about the prospects of the cbain restaurant industry and see annual real growth of less than 2 per cent over the next five years. This lack of growth will in effect bar future potential competitors and leave the existing chains to figbt it out among themselves," says Mr Zurkuhlen.

"McDonald's, which bas about 7 per cent of the existing industry, will probably increase its sbare to 9 per cent by the end of the decade."

LEADING FAST FOOD GROUPS IN US

	Current share price ($)	p/e	12-month High ($)	Low ($)
McDonald's	66⅛	20	76⅞	41½
Pillsbury (Burger King)	76⅛	16	82⅝	48
Wendy's	13⅞	17	17⅞	11⅛
Jerrico*	21⅝	17	26⅝	12
Dunkin Donuts*	33⅜	19	38	21½

* Traded on OTC market

The key to McDonald's consistent growth and prospects for other chain groups is franchising. The 11.5 per cent that McDonald's collects from its franchisees insulates it from wage, food and paper cost fluctuations, leaving it only to pay fixed costs on the property component of the group.

Althougb the group is in the vanguard of the industry and is likely to remain there, it has had to respond to growing challenges.

Mr Fred Turner, chairman and chief executive of McDonald's, acknowledges: "There bas been a softening in retail and restaurant spending in the US in the second quarter ... but we expect 1986 to be a good year."

McDonald's bas expanded its breakfast operations – now a very valuable profit generator – while Wendy's, the third largest chain after Burger King, bad its fingers burnt on its poorly organised and costly excursion into the breakfast market.

Wendy's discovered to its horror that its hard-won breakfast sales were eating into its vital lunchtime trade. McDonald's, however, has grasped the nettle by installing convection ovens in its outlets to bake breakfast biscuits.

American appetites for bamburgers is also changing. Traditional bamburger cbains are relying more on non-bamburger products. Chicken, salad, soups and desserts now feature more prominently than five years ago. "If they have to sell salad burgers, they will," remarks Mr Zurkuhlen of the McDonald's pursuit of business and ability to identify a strong value-added potential.

GROWTH OF RESTAURANT FRANCHISING

US franchises	1985	1980
Hamburger rest.	31,641	27,027
Pizza outlets	14,898	8,914
Mexican rest.	4,228	2,774

Source: National Restaurant Association

Number of US franchises abroad

1980	3,943
1981	4,325
1982	4,675
1983	5,518

Source. US Department of Commerce

Internationally, the three leading US bamburger chains are not suffering the same kind of problems. McDonald's bas a bead start on its competitors overseas as it has a more mature base and is beginning to derive high returns from abroad: 22 per cent of revenue and 17 per cent of profit.

"There presumably is a limit to the number of McDonald's restaurants the world can have," said Mr Joe Doyle of Smith Barney, Harris Upbam. "But the same was said about Coca-Cola in tha 1960s."

Burger King, a wholly owned subsidiary of Pillsbury, tha convenience foods group, is the second-largest fast-food chain in the US. Poor sales, bowever, have hurt its parent's profitability. It bas a greater reliance on chicken products, which by the end of next year could represent 10 per cent of its total sales.

Wendy's bas suffered from ill-advised menu diversification. Its move into breakfast was poorly organised whicb meant that meals could not be prepared quickly enough – the kiss of death for a fast-food group.

Same-store sales (the turnover of existing outlets is the only reliable guide to performance) fell in the first quarter of this year by 9 per cent. But the group plans an extra 400 outlets for each of the next two years, increasing its franchise component to over 65 per cent from its current 58 per cent. Wendy's net profit margin, however, has fallen steadily over the past decade from 10.3 per cent of sales to an estimated 6.3 per cent for the current year.

"Fast food is a real battlefield," says Mr Jeff Prince of the Washington-based National Restaurant Association, "but the overall industry (with sales of $120bn last year) is likely to grow. We see 3 per cent real growth this year."

"Eating out now represents 40 per cent of the consumer food dollar and people are spending more on eacb visit to a restaurant. Obviously if times are bad, people will trade down a little," he adds. "For an older generation of people, eating out in a restaurant was an occasional experiance. In Washington, for example, it is not uncommon now for people to eat 10 or 12 of their weekly meals away from home."

Approximately 3.7 meals per week are now consumed away from home, and the trend is rising, particularly among young business people, he says.

Beyond the traditional hamburger outlet, America's other restaurant mainstays are facing change and learning to move with the times.

Jerrico, a 1,400 strong chain which is traded on the over-the-counter market and is largely devoted to fish products, is surging ahead with a major remodelling and renovation programme. Analysts currently see up to 9 per cent growth at existing units backed up by a store expansion programme of about 8 per cent per annum, reaching 150 new outlets yearly by 1988.

Dunkin' Donuts, the country's largest coffee shop chain, has scored 12 years of consecutive profit growth through its strong franchising component. It too has embarked on menu expansion with croissants sitting beside the more traditional doughnut, while freshly-brewed decaffeinated coffee is representing a larger portion of its turnover.

With about 1,450 units in the chain, Dunkin' Donuts is embarking on a unit expansion of approximately 9 per cent annum over the next five years. It has also entered a licensing pact with an ethnic chain, Chili's Inc., which will permit further diversification in its north-eastern heartland.

How we blind ourselves to working talents

BY MICHAEL DIXON

ONE of the great James Thurber's maxims for avoiding trouble in life was: Never twit a police dog about its badge! He explained that creatures set apart from the common herd tend to resent jokes about their marks of distinction.

The force of his warning has lately been brought home to the Jobs column as a result of the tale it started with two weeks ago. Although I had rather not repeat it, I had better do so because not everyone reading today will have been with us a fortnight back. It was the one about the works manager who, on hearing that the young man he had told to sweep the floor was a graduate trainee, replied: "In that case, you'd better hand me the broom for a minute and I'll show you how to do it."

Most of the four dozen readers who have commented on the tale thought it was entertaining. Even so, about one in every eight of them found it offensive.

Their complaints are typified by the man who said too many graduates, himself included, are employed in "effectively unskilled jobs" for the story to be at all funny. On the contrary, "it represents a large and economically wasteful misuse of graduates' developed thinking abilities."

While never pleased to cause offence, I can only conclude that some degree-holders feel about their graduate status as Thurber's police dog did about its insignia of office. For it seems clear that the umbrage taken at the tale arises from two questionable assumptions about the working world.

The first is that there exists such a thing as an "effectively unskilled" job. If one did, it would surely have to be a job which in effect could be done perfectly by brute strength alone.

It is true that some tasks demand less skill than others to the extent that they can be carried out adequately and faster by machines. But I find it impossible to name a job done by people where the effect is not dependent on the exercise of skill.

Even sweeping the floor requires skill to be done well as distinct from shoddily. Anyone who disbelieves it, I'm told, need only call at a certain address in south-east London after it has been my turn to do the housework.

No matter how far some of us suppose our abilities to be above such tasks, the skills they entail are important—as witness the old rhyme ending: " . . . and all for the want of a horseshoe nail." Which brings me to the second assumption underlying the graduates' umbrage.

The bulk of those who protested seem to think it self-evident that the abilities identified and promoted by their formal education fit them for jobs of superior responsibility. It ain't necessarily so.

The skills which are most decisive in completing a bachelor's degree course are those of passing academic examinations. And what the exams test is primarily the ability to absorb and manipulate intellectual knowledge or, in other words, the ability to learn about something. That kind of intellectualising works best in conditions where all the facts bearing on the problem are known and there exist reliable theories to guide the thinking. Those conditions are usually most noticeable by their absence in practical jobs such as management.

What is more, the ability to learn about an educational subject is evidently not enough to enable people to go on to do successful academic research even in the same subject.

Over the past year or so I have asked a number of esteemed university researchers how they go about their work. They include particle physicists, biochemists, economists and a philosopher. Conventional theory supposes that they must work in two stages, first thinking out intellectually what they are going to do and then doing it.

None of the dons worked in that way. "We do it by feel," they said. The thinking was somehow embedded in the doing and could not be separated from it. A good many of their contemporaries as undergraduates had proved themselves equally good at learning about physics, for example, by gaining a high-class bachelor's degree. But only a minority of them had proved capable of learning *how to do* physics, philosophy or whatever.

Their reports that people good at learning about something are often poor at doing it, led me to ask another question. Might there also be people who could become good at doing something even though they were poor at learning about it?

The consensus among the dons was that there very well might be. But such people were hardly likely to come to light because educational conventions insist that only people who first prove capable of learning about a subject are given the chance of doing it. "It's a pity though," said one of the physicists, "because I feel that the essential talent for work like mine lies not so much in the processing abilities of the intellect as in certain unusually acute senses—like the 'ear' that's fundamental to becoming a first-class musician and a cricketer's 'eye' for a ball."

If he is right, as I suspect he is, then there is surely even more reason for society to value the skills that enable people to be good at tasks such as floor-sweeping.

Those who criticise my substandard work with a broom tend to attribute it entirely to lack of application. But my explanation is different. I swear that I often cannot even see the dust I leave lying around until someone with sharper eyes points it out to me.

I have had my nose rubbed in the same deficiency when walking around with professional archaeologists. Every few minutes they suddenly stoop down and hand me what to me are little bits of dirt, saying: "There you are, Roman glass," or "Iron Age pottery."

So it could be that skill at floor-sweeping denotes potential for archaeology.

The trouble is that our educational traditions blind us to the very possibility. As a result we are probably consigning a majority of practically talented scientists, technologists and managers to "effectively unskilled" work along with a graduate minority.

The sad thing is that it is shortages of capable people in such work that politicians and other pundits repeatedly blame for the country's poor economic performance. Perhaps we need to wake up to the fact that there is more to skill than meets most eyes, let alone than is recorded on examination certificates.

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COMMODITIES, MONEY MARKETS, AMERICAN SECURITIES
Account Executives and Sales Assistants
with established Middle Eastern contacts

Here in London, in both our City and West End offices, we are extending our services for the Middle East.

We are therefore looking for individuals with substantial commodities, money market and US securities experience *PLUS* established *Middle East* contacts; any Arabic speaking ability will be an advantage as will a CBT or NYSE qualification.

If you have a familiarity with American brokerage work style, and have a significant contribution to make to E.F. Hutton when we will negotiate a remuneration package which will attract the best talent available in the market.

Please write in strict confidence to:

Administration Director
E.F. HUTTON & CO. (LONDON) LTD.
Princess House, 152-156 Upper Thames Street, London EC4
Tel: 01-623 0800

FINANCE DIRECTOR
(DESIGNATE)

An internationel business group with e diversity of interests and with en eggressive expansion programme seeks e Financial Director who can combine entrepreneuriel flair with the conventional disciplines. This is an invitation to join a smell executive teem which makes all the decisions. Considerable travel is involved. This position will only suit seasoned echievers who ere confident in their ability to get results. Those results will stage a unique opportunity in terms of both rewards end satisfection.

For further details write with all relevant particulars to:
Box A0218, Financial Times, 10 Cannon Street, London EC4P 4BY

FUND MANAGEMENT

We have a substantial involvement in both the U.K. and overseas equity markets and owing to the continued expansion of funds under management we now need additional investment personnel.
As key members of a very successful team the ability to work alongside others is essential. Applicants should be graduates and/or professionally qualified.
Vacancies exist for the following:

FUND MANAGER — FAR EAST EQUITIES
£20,000-£25,000
A minimum of 3 years experience with a financial institution or stockbroker, including detailed knowledge of the Japanese market, is essential. Knowledge of other Far Eastern markets would be an advantage.

INVESTMENT ANALYST — U.S. EQUITIES
£15,000-£18,000
Up to 3 years experience in this market with a financial institution or stockbroker is required.

INVESTMENT ANALYST — U.K. EQUITIES
£15,000-£18,000
Up to 3 years experience in this area of the market with a financial institution or stockbroker is required.

An attractive benefits package is also offered which includes a non-contributory pension scheme and preferential mortgage scheme.

Applicants should apply in writing, including a comprehensive curriculum vitae, to:
A.P. Peggie Esq., Investment Administrator,
Eagle Star Insurance Company Limited, 1 Threadneedle Street, London EC2R 8BE.

Eagle Star

MARKETING IN A MAJOR U.S. BANK

Our client is ona of the largest banks in the U.S.A. As a result of expansion and re-direction of its activities in London, the following opportunities are available:-

ENERGY
up to £25,000

A YOUNG ENERGY BANKER TO MARKET COMMERCIAL/INVESTMENT BANKING PRODUCTS TO MAJOR ENERGY COMPANIES.

This position involves marketing the banks' wide product ranga to some of the largest, most sophisticated Energy companies. Energy knowledge is highly desirable, but a strong general credit and marketing background would be suitable. Career development within the worldwide Energy group reflects the bank's continuing commitment to the sector.

FINANCIAL INSTITUTIONS
£15-£20,000

AN OPPORTUNITY TO MOVE FROM 'CUSTOMER SERVICES' ROLE (IN OPERATIONS, OR A CLEARING BANK) INTO FULL RELATIONSHIP MANAGEMENT.

This group works closely with major securities houses, insurance companies, pension funds and other financial institutions. They have a particularly strong reputation in treasury products, cash management, and international settlements and operating accounts. If you have operational or 'customer liaison' experience in this area, this represents an excellent opportunity to move into a fully-fledged marketing role. Career prospects are excellent.

Interested candidates should contact Kevin Byrne on 01-588 6644
or send a detailed Curriculum Vitae to the address below.
All applicants are treated in strictest confidence.

Anderson, Squires Ltd., Bank Recruitment Specialists
127 Cheapside, London EC2V 6BU
01-588 6644
Anderson, Squires

HONG KONG CORPORATE FINANCE

International Transactions

High Level of Responsibility

The Hong Kong merchant banking subsidiary of one of the leading Accepting Houses is itself in a lead position in Corporate Finance in the Far East. The work is becoming increasingly international. London experience is fully transferable.

As a Manager you would be one of the most senior members of the Corporate Finance Division. You would be responsible for transactions from inception to completion. You would be seconded from the London head office for two to three years with excellent progression prospects in international Corporate Finance either in London or elsewhere in the world.

You need to have had at least three years in Corporate Finance and have a good academic standard of education. Aged 26-32. Remuneration up to £50,000 including bonus. Accommodation is provided free and there are other valuable expatriate benefits.

Your name will not be released until we have briefed you and you have given your consent. Please write to me, Terence Hart Dyke, Consultant to the Bank.

Business Development Consultants (International) Ltd
63 Mansell Street
London E1 8AN

BDC

Executive-South American Desk

We are seeking an executive who will take responsibility for developing and maintaining our marketing effort in Brazil and other Latin American countries in conjunction with our established network of representatives.

The successful applicant will be fluent in Portuguese and/or Spanish and will have several years' international banking experience. We will be looking for imagination, adaptability and the ability to sell — rather than experience in a particular aspect of merchant banking.

Remuneration will be competitive and will be based upon previous experience. Excellent benefits will include a preferential mortgage scheme, non-contributory pension scheme and private medical care.

Applications including full personal and career details should be sent to:—

Helen Rigby,
Personnel Manager,
Morgan Grenfell & Co. Limited,
23 Great Winchester Street,
London EC2P 2AX.

MORGAN GRENFELL

Appointments Advertising

£41 per single column centimetre and £12 per line

Premium positions will be charged £49 per single column centimetre

For further information call:

Louise Hunter
01-248 4864

Jane Liversidge
01-248 5205

Daniel Berry
01-248 4782

Leading ERISA Company

Fund Management/ Fundamental Analysis

Europe and U.K.

Our Clients, who are a well-established and rapidly growing ERISA company and part of a major British merchant banking and investment group, seek an experienced Fund Manager/Analyst with a sound grounding in fundamental research.

Whilst the major emphasis of the job will be on the investment management of international portfolios, the man or woman appointed will also be responsible for client presentations, mostly in a reporting role, and conducting incisive European or U.K. investment research into both individual companies and market sectors.

Candidates should ideally be educated to degree level, numerate and have had a minimum of 3 years European & U.K. investment analysis experience.

The company offers a competitive, negotiable salary and excellent benefits.

Please reply in confidence quoting reference 749 to Caroline Magnus, Overton Shirley and Barry, Prince Rupert House, 64 Queen Street, London EC4R 1AD. Tel: 01-248 0355.

Overton Shirley & Barry
INTERNATIONAL SEARCH AND SELECTION CONSULTANTS

BOND SALES

Earn 35% of all your non-risk sales

LONDON/NEW YORK

This is an opportunity to join an innovative investment banking firm in either their London or New York office. The Firm is consistently creating new ideas and products and can give you a strong support system with the freedom to conduct business with your own accounts, without territorial restrictions.

The rewards are high — you'll get a commission on all transactions with a substantial monthly draw, which may well be as much as your current salary, and the balance of commission paid quarterly.

If you have substantial bond sales experience, you're invited to discuss this opportunity by telephoning John Sears on 01-629 3532, or write to the following address: John Sears, Cavendish Court, 11/15 Wigmore Street, London W1H 9LB.

John Sears

Shepherd Little & Associates Ltd

Banking Recruitment Consultants

MANAGER — DEALERS SUPPORT

A prominent international bank, forging ahead in todays competitive markets, is seeking a young professional to take charge of its day-to-day trading support operations.

The candidate, aged under 35, will have already reached a position of responsibility within foreign exchange administration and be seeking to apply his/her knowledge and man-management skills to a more demanding role.

The banks trading activities should double in size during the next two or three years thereby testing the successful applicants broad range of talents to the full.

Within a bank of this size there will be suitable scope for further career development, and the salary being offered will be in keeping with the importance of the appointment.

FUTURES/OPTIONS — ADMINISTRATION

A leading U.S. investment bank, committed to dominance of the world capital markets, is about to become more heavily involved in trading futures and options.

They seek an individual around whose expertise they can build a professional and efficient administration function to support the trading and sales team. This is considered to be a challenging development role, therefore within reason, the client does not expect the salary to be a limiting factor in the search for the right candidate.

To find out more about these two positions please contact David Little or send him your Curriculum Vitae at the address below

Ridgway House 41/42 King William Street London EC4R 9EN
Telephone 01-626 1161

ANZ MERCHANT BANK LIMITED

INSTITUTIONAL RESEARCH - CONSUMERS

We wish to recruit two analysts to join the Institutional Equities team of

CAPEL-CURE MYERS

FOOD MANUFACTURING ANALYST

This vacancy arises following an internal promotion and we seek an experienced analyst, preferably with two to three years in the sector, with a successful track record of producing or marketing high-quality specialist research.

BREWERY ANALYST

This section is currently covered by a general analyst. We now need to strengthen the team with an experienced analyst capable of producing high-quality research in support of an existing specialist sales team.

Both these positions offer first class opportunities within a successful expanding operation. Candidates should be graduates aged 25 or more preferably with at least three years' experience as an investment analyst but consideration will be given to applicants who are currently employed in a relevant position in the Food Manufacturing or Brewery Trade. The remuneration package, including profit share, will be attractive to the right candidate.

Applications, with details of career to date, will be treated in the strictest confidence and should be forwarded to:—

Mr. M. C. J. Neill, Personnel Manager
ANZ Merchant Bank Limited, 65 Holborn Viaduct, London EC1A 2EU

Member of the ANZ Group

Make it your business to help new businesses in Staffs.

There's nobody doing more to create jobs than Staffordshire County Council.

As part of our overall effort, we've established an important new post in the recently restructured Economic Development Division of the County Planning and Development Department.

Principal Officer — Finance for Industry

Grade POA/B — £11,280 to £12,885

It will be your task to ensure that new industrial and commercial ventures receive adequate financial guidance and support. You will research and identify the most efficient and responsive sources of investment finance, and your top priority will be to establish a Business Capital Connection Scheme.

You will need a sound knowledge of industry and commerce in either local government or the private sector. Experience in developing and managing schemes to finance industry is essential. Familiarity with EEC matters, obtaining grants from ERDF and ESF, and securing Rural Development Programme Funds would be an advantage. You should also possess relevant qualifications.

Interested? Further details and an application form are available from the County Planning and Development Officer, Martin Street, Stafford ST16 2LE. Closing date for applications: 11th August, 1986.

Trade Union membership encouraged.

Staffordshire County Council

Hoggett Bowers

Executive Search and Selection Consultants

BIRMINGHAM, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, SHEFFIELD and WINDSOR

General Manager

Financial Services
North West, c£30,000 Package, Car

A new appointment within one of the regions foremost motor retailers and an opportunity to run a profit centre and have a personal equity stake. The initial task is to create the stucture to handle in-house. an already extensive instalment credit business. Thereafter the responsibilities will be to administer and market the product within the company and to develop and introduce other packages of financial services appropriate to the motorist. It is an exceptionally demanding position requiring an experienced manager skilled in marketing a broad range of financial services in the retail sector. Graduates in their 30's will find this a satisfying and stimulating environment where the rewards match the commitment demanded. The package envisages a basic salary in excess of £25,000 and performance related bonus.

R.D. Howgate Ref: 27440/FT. Male or female candidates should telephone in confidence for a personal history form, **061-832 3500,**
Hoggett Bowers plc, *St. John's Court, 78 Gartside Street,*
MANCHESTER, *M3 3EL.*

Finance director

West Midlands, £25,000 + car

C&L

Formed last century, this highly profitable company is now part of a major group. Turnover exceeds £4 million from the volume manufacture of quality engineered products for markets which are buoyant and likely to remain so.

In this new appointment priority will be to establish a professional and credible finance function. Immediate attention must be given to developing effective accounting and reporting systems providing fast and accurate information. There is a need for improved product costing plus inventory and capital expenditure control. The challenge is therefore obvious but so are the rewards.

Aged up to 40 you must be a qualified accountant with experience as Chief Accountant or Controller in a manufacturing company. A proven record in developing systems in general and product costing in particular is an essential requirement. In the foreseeable future the job demands a 'hands-on' willingness to get on and do it but as the planned growth materialises and the department develops, the ability to take the strategic approach will be paramount. At all times the role will be highly commercial with involvement in all aspects of the management of the business.

Résumés, please, including a daytime telephone number, to David Owens, Executive Selection Division, Ref. D194.

Coopers & Lybrand associates

Coopers & Lybrand Associates Ltd
management consultants

43 Temple Row
Birmingham B2 5JT

BARCLAYS GROUP STAFF UNION

Applications are invited for the new post of General Secretary's Assistant

The appointee will join an enthusiastic hard-working team operating under constant high pressure and will be directly responsible to the General Secretary.

You will be responsibly involved in financial monitoring and control functions as well as conducting studies into a wide variety of BGSU activities.

Although based at Haywards Heath there will be a need to work in other areas on occasion and this may entail some committee work. You must have the maturity and confidence to communicate successfully with BGSU staff and members, other Barclays staff, representatives of the Bank and other organisations at all levels, but it is not envisaged that the appointee will have negotiating responsibilities in the industrial relations field.

The ideal candidate will be familiar with computer-based systems and will have proven managerial skills besides good potential for further advancement. Knowledge of clerical work-measurement and administrative systems will be an advantage as will formal management training or qualifications.

BGSU has a membership of about 46,000 in the Barclays Group and is an independent division of the Clearing Bank Union which has a current total membership exceeding 100,000.

Residence in or close to Haywards Heath, West Sussex will be required.

A starting salary of not less than £11,000 pa is offered but could be considerably higher for the right person. There is a non-contributory pension scheme and assistance with relocation expenses will be offered if appropriate.

Applications in writing, marked "Strictly Confidential" giving full career details, should be sent to:

The General Secretary
Barclays Group Staff Union
Oathall House, Oathall Road, Haywards Heath
West Sussex RH16 3DG
to arrive not later than Friday 1st August 1986

SUPERVISOR

COUPONS/DIVIDENDS

£16,000+ PACKAGE

International banking co wants supervisor with knowledge of Euro-clear/Sedel systems/coupons and dividends. Also knowledge of redemptions, rights and new issues. Immediate interviews available.

Ring Mark Price on 01-626 5223 Staffplan Rec Cons

TRAINEE BROKER

A vacancy has arisen for a trainee broker. The successful applicant will be about 25-35 years old, hard working and presentable. No previous experience necessary as full training given

For a confidential interview:
TELEPHONE STEVE YOUNG ON 01-488 9400

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For further information call:
Louise Hunter 01-248 4864
Jane Liversidge 01-248 5205
Daniel Berry 01-248 4782

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EXTRA PROFITS AND GROWTH

Chartered accountant seeks new challenge. Former finance director three large public companies, currently specialising in helping small/medium sized companies. Full or part-time appointment(s).

Please write Box A0224 Financial Times, 10 Cannon St London EC4P 4BY

READY!

. . . to take on a new challenge. Presentable management consultant, 27, with wide experience and fluent German and French seeks a demanding position in UK/West Germany.

Write Box A0215, Financial Times 10 Cannon St, London EC4P 4BY

Jonathan Wren

INVESTMENT & STOCKBROKING APPOINTMENTS

Jonathan Wren is a leading recruitment consultancy with over 10 years experience of investment management and stockbroking assignments. Our services are currently used by almost all major institutions, some of whose requirements are listed below:-

Position	Institution	Salary Level
Japanese equity salesmen	UK stockbroker and merchant bank	to £70,000
UK pension fund managers	Major UK institution and merchant bank	to £60,000
Bond portfolio managers	US investment banks	to £40,000
International equity managers	International bank	to £40,000
Unit trust managers	Merchant bank	to £35,000
Private client managers	International bank and UK merchant bank	to £35,000
Equity analysts	International brokers	to £25,000

We would be delighted to discuss these and other relevant positions with candidates who have current experience and expertise in stockbroking or fund management. Applicants should note that as 'register search' consultants we are able to offer both employers and candidates a service which gives maximum market coverage. Complete confidentiality and professionalism is guaranteed by our established market credibility.

Please contact Mark Forrester or Roger Steare.

SYDNEY Jonathan Wren HONG KONG
Recruitment Consultants
170 Bishopsgate, London EC2M 4LX. Tel: 01-623 1266

Dealers

We require additional securities Dealers with at least two years' U.K. market experience.

Applications should be from Dealers seeking a career move to a major investment house. Salary is negotiable, plus other benefits, and prospects are excellent.

Please write enclosing full curriculum vitae to:-
David Clark, Kleinwort Grieveson and Co.,
20 Fenchurch Street, London EC3P 3DB.

Kleinwort Grieveson and Co

Money Market Sales/Trading

FRN's — Euronotes — CD's

Merrill Lynch is continuing to expand its money market operations.

We are looking for dealers with an established track record in the non-dollar FRN and Euronote markets to help develop our presence in the multi currency sectors, and for experienced salesmen in the FRN and Euronote markets.

Remuneration will reflect the seniority and performance of the individual.

Please write with full career details to date to Barbara Jenkins, Senior Recruitment Officer, Merrill Lynch Europe Ltd., 27/28 Finsbury Square, London EC2A 1AQ.

Merrill Lynch

Senior Credit Officer

One of North America's leading banks wishes to recruit a senior executive to take charge of their credit group.

Reporting directly to the General Manager the individual will primarily be responsible for maintaining the credit standard of the bank's loan book, as well as improving the quality of corporate assessments. In addition he/she will be expected to introduce sophisticated credit systems and take responsibility for the training of the analyst team.

As part of the senior management responsibility for UK business, the Head of Credit will be expected to make a significant contribution to the bank's strategic and management issues. This will naturally require a high level of expertise and an intelligent, open-minded approach to complex problems. Candidates should also have at least 10 years banking experience and ideally a training in credit from a US bank.

The seniority of this position will be reflected in a highly competitive remuneration package. If you wish to apply please send a detailed curriculum vitae to our advisers.

Human Resources Development,
D.C. Gardner and Company Limited,
8/9 New Street, London EC2M 4TP.

Head of Fund Management

Set up a new department in a major US Investment Bank

This is a challenging opportunity for a marketing orientated business professional to take control of and develop the bank's existing international fixed income fund management activities. As the head of a small department, which you will select yourself, you will be responsible for both the marketing and the management of this service in order to realise its considerable profitable growth potential.

You will be joining, at a senior level, the London office management team of a bank with a fine reputation for service. Your contribution to the development of the fund management activity will enable the bank to offer a broader, better product range to its global and broad-based clients. You will market the service to top-quality institutions worldwide and will be able to draw support from the bank's substantial US asset management expertise, its impressive research capabilities and its sophisticated information technology.

To be a candidate, you will be able to demonstrate a record of significant achievement in the marketing of fund management.

An outstanding compensation package is offered which reflects the bank's commitment to hiring one of the very best practitioners in this field.

To apply, please write in complete confidence to the advisor on this appointment: John Sears, Cavendish Court, 11-15 Wigmore Street, London W1H 9LB, or telephone 01-629 3532.

John Sears

INVESTMENT OPPORTUNITIES

Central London £Neg.

Financial Sector Human Resources

Our client is a U.K. based Financial Institution. They are a major presence in International Securities and Deposit Markets. We have been retained to seek a DEPOSIT DEALER and a FIXED INTEREST SPECIALIST to further strengthen their investment department.

DEPOSIT DEALER

Candidates should have experience of dealing in the FX, CD and deposit markets of one or more of the major currencies. Some knowledge of trading practice in the future and option markets would be advantageous. REF: 6/536.

FIXED INTEREST SPECIALIST

Applicants should have gained experience in at least one fixed interest market and will preferably be familiar with the management of a bond portfolio as part of a multi-currency investment fund. A working knowledge of relevant future and option markets would be an advantage. REF: 6/546.

Salaries will reflect your experience and ability.

Please send your C.V. together with details of your current remuneration and quoting the relevant reference number to Robert Winter or *Derek Burn at MCP Consultants; or telephone* 01-405 9000/1 for further details.

MCP MANAGEMENT CONSULTANTS Lawrence House 51 Gray's Inn Road London WC1X 8PP

Clive Discount Company Ltd.

Financial Futures Trader

The Company is seeking a person with suitable dealing experience in Financial Futures markets to help develop its trading activities in London.

The chosen individual will possess a thorough technical knowledge of all aspects of Financial Futures markets, together with a broadly based understanding of domestic and international money markets.

A competitive salary package will be offered to the successful applicant, who should apply in the first instance to:—

Mr R. N. Thomas, Director
CLIVE DISCOUNT COMPANY LIMITED
1 Royal Exchange Avenue
London EC3V 3LU

In association with
PRUDENTIAL-BACHE SECURITIES INC
a *subsidiary of*
THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

Assistant Company Secretary

MIDDLESEX **c. £14,000**

This profitable and expanding Public Company operating internationally in manufacture and retailing within the clothing industry wishes to appoint an Assistant Company Secretary.

The successful candidate will be an ACIS, probably aged 25-30 and will ideally have worked in a Public Company. In addition to the usual company secretarial duties, he or she will have experience in most of the following areas:—

Property Matters
Insurance
Agreements
Employment Legislation
Pension Fund Administration
Trade marks and copyright

Some accounting experience would be an advantage.

Applications, which will be treated in the strictest confidence, should in addition to a full Curriculum Vitae, state how the applicant believes they meet the requirements of the position and should be sent to:—

A. C. Roberts FCIS, FCII
ELLIS & GOLDSTEIN (HOLDINGS) plc
PO Box 5, Rowdell Road, Northolt, Middlesex UB5 5QT

NATIONAL MUTUAL LIFE

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U.K. Equities

Hertfordshire

There is a vacancy for a FUND MANAGER whose principal responsibility will be the management of the Group's U.K. equity portfolios.

National Mutual's Fund Managers are fully responsible for all aspects of managing the portfolios under their control and for the resulting performance. They also contribute significantly towards overall investment policy making.

The position will appeal to an individual who enjoys a large degree of autonomy and the opportunity to demonstrate his or her abilities.

The successful applicant is likely to be a graduate aged between 25 and 35 with previous investment experience.

The Society is relocating to offices currently under construction in the grounds of The Priory, Hitchin. Candidates should be prepared to work in London until Summer 1987.

The position offers an attractive benefits package.

Please write with full personal and career details to:

Miss K.R. Lewry
Personnel Manager
National Mutual Life Assurance Society
5 Bow Churchyard (off Cheapside)
London EC4M 9DH

or telephone Mr. G. H. E. Hill, Investment Manager, for further details 01-236 1566.

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The Executive Job Search Professionals

CORPORATE ANALYSIS

to £18,000

Our client, an investment bank at the forefront of radical changes and technological developments in the city, is presently embarking on a major drive to consolidate their strength and market penetration. They need to make a further appointment to complete their critical analysis team, ideally with someone who feels comfortable in an environment of individual initiative and confident handling new capital market products. You will probably hold a good degree and possess excellent analytical and problem solving skills. An attractive package is offered in addition to a secure and challenging future. (Ref EB001)

ASSISTANT MANAGER

C£20,000

Following several years of continuous expansion, the city operation of an overseas banking group now seek a marketing officer of exceptional ability. Possessing a sound credit training and in depth *corporate lending experience, you are probably* an *opportunist* by nature but are denied the chance to make corporate decisions and feel your career and talents stifled. Here you will enjoy the individual freedom and responsibility to couple your intelligence with drive and initiative to generate new business, develop clients both in the UK and internationally and maintain the bank's substantial growth. (Ref EB002)

Candidates should apply in confidence to:
Jonathan Head on 01-430 1551/2653 (01-733 6081 out of hours)
or write: Executive Selection Division
9 Brownlow Street, Holborn, London WC1V 6JD

Dulcie Simpson
Appointments Ltd

SALES PROMOTION REPRESENTATIVE

OIL & GAS EQUIPMENT

A unique London-based opportunity in a Middle East/London organisation to represent major European manufacturers and engineering companies. The applicant must have Technical and Promotion/Sales background as well as familiarity with the mechanical equipment industry. Attractive salary and incentives for the qualified candidate. All replies will be kept strictly confidential.

Please send résumé to:

Box A0223, Financial Times
10 Cannon Street, London EC4P 4BY

Major European Bank

is seeking to expand its dealing room by the addition of the following personnel:

SPOT DEALER—Three to four years' experience in major currencies.

CUSTOMER DEALER—Two to three years' experience of direct customer contact and liaison with interbank dealers.

Salaries and benefits commensurate with age and experience.

Send full curriculum vitae to:

Box A0221, Financial Times
10 Cannon Street, London EC4P 4BY

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For further information call:
Louise Hunter — 01-248 4864
Jane Liversidge — 01-248 5205
Daniel Berry — 01-248 4782

Financial Controller

c.£35,000+substantial benefits

Our client is one of the world's major commercial and merchant banking groups, with a substantial presence in the City of London and the other global financial centres.

It has asked us to recruit, as UK Financial Controller, someone who meets the following criteria:

* An accountancy qualification (preferably ACA)
* Likely age early 30s
* Experience of financial management and control systems in a banking environment (this includes the Profession)
* Familiarity with large institutions

You will be based in the City and the terms will include a full range of banking benefits, including subsidised mortgage, car, non-contributory pension, etc.

Please send a detailed c.v., including daytime telephone number, in strict confidence to Peter Wilson FCA at Management Appointments Limited (Search and Selection Consultants), Finland House, 56 Haymarket, London SW1Y 4RN. Tel: (01) 930 6314.

MAL
Management Appointments Limited

Compliance Officer

Senior Appointment: Leading Investment Bank

We invite applications for the newly-created post of Compliance Officer with one of the most prestigious of the International Investment Banks.

The role will entail establishing Compliance procedures throughout the organisation and working with the management committee to structure and regulate their business in line with approved standards. Its importance is recognised in the decision to make the appointment at Director level.

Specific experience is secondary to more fundamental qualities. The Bank seeks an individual with outstanding intellectual and personal skills, a commercial outlook, an enquiring mind and a track record of demonstrable achievement in the City, a professional firm or possibly elsewhere. Ideal age 30-40.

Salary and fringe benefits will not be a limiting factor for the right person and there will be every opportunity to broaden the range of responsibilities after the Compliance function has been properly established.

Please write in confidence, enclosing career details and explaining how you may meet the Bank's requirements, to: Nigel Halsey, Managing Director, Michael Page City, 39/41 Parker Street, London WC2B 5LH. Telephone 01-404 5751. Reference: 3660.

MP
Michael Page City
International Recruitment Consultants–London Brussels New York Paris Sydney
A member of the Addison Page PLC group

Equities

Settlement & Operations Manager

This highly successful US brokerage company, which is part of a major international investment management group, is expanding its activities by establishing a new company in London to trade in UK and European equity markets.

They wish to appoint a Manager to take responsibility for all settlement functions and any associated currency transactions. This will involve timely settlement of trades, assisting in the introduction of systems, management reporting and administration.

A self-starter, you will have substantial experience in the settlement of UK and international equities. You are now seeking to pursue your career in a highly visible role within an independent progressive environment.

Remuneration will be pitched to attract high-calibre candidates and is unlikely to be a restricting factor.

If you are interested in this challenging opportunity, please telephone Barbara Lord or write to her enclosing a cv, in complete confidence, and quoting Ref: AAB2/9918/FT.

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PA Personnel Services

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Hyde Park House, 60a Knightsbridge, London SW1X 7LE.
Tel: 01-235 6060 Telex: 27874

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With your years of operating at Senior levels within the financial services sector tell us how you see it. For when it comes to developing information systems for customers as complex and rapidly changing as ours, we believe in basing our direction on the perceptions of experts.

Not that we're novices to the field. Indeed, over 50% of all daily stock exchange transactions are processed on ICL systems, whilst our continually developing and expanding product range is meeting the individual needs of building societies, insurance companies, credit companies and banks throughout the country.

This however is just the beginning, giving us the foundations upon which to build both our customer base and the sophistication of our products and their application. You'll be central to this, using your knowledge of business in the financial world in two major ways: by providing our sales teams with expert guidance on the analysis of customer needs and how ICL technology might be applied; and by building close working relationships with customers and potential customers, using feedback gained to formulate sales, marketing and product development strategies.

Naturally you'll be working with both technical and commercial ICL personnel, so communication skills and the ability to motivate others are vital to your success. Other attributes are commercial flair, stature, credibility, a strong understanding of systems (not necessarily computers), good board level presentational skills, and, above all else, your appreciation and insight into the financial world.

Operating in our Northern region, your success will be measured quite simply by our own. In return we can offer you thorough product training, far-reaching career potential and a salary/benefits package that will fully reflect your skills and that naturally includes relocation where necessary.

So if you're up to a tough strategic business role we'd very much like to meet you. As a first step call **Sarah Jackson** on **061 833 9111** extension **2004.** Alternatively, write to her, enclosing full details at: **ICL (UK) Ltd, Arndale House, Arndale Centre, Manchester M4 3AR.**

ICL is an equal opportunities employer.

We should be talking to each other. ICL

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RECRUITMENT CONSULTANTS
35 New Broad Street, London EC2M 1NH
Tel: 01-588 3588 or 01-588 3576
Telex No. 887374 Fax No. 01-256 8501

Scope for further advancement within a progressive organisation.

CJRA

REAL ESTATE FINANCE EXECUTIVE

LONDON **£25,000–£35,000 + car**

LEADING US FINANCIAL INSTITUTION – ALREADY A KEY PLAYER IN THIS MARKET.

We invite applications from Real Estate Finance specialists who must have had at least 3 years' successful business development experience in this market. A professional qualification will be an advantage. The selected candidate, whilst reporting directly to the Head of the Real Estate unit, will have a high degree of autonomy and will have full responsibility for his/her own account portfolio. The job will entail close liaison with the Capital Markets Division and the application of new financing techniques to prospective real estate transactions. A certain amount of travel within the UK is envisaged. Essential qualities include analytical and negotiating skills together with the ability to meet the challenge of producing results in a competitive environment. Initial salary negotiable £25,000 – £35,000 plus a profit related bonus which will be tailored to attract the best talent available, plus car and full range of generous fringe benefits. Applications in strict confidence under reference REFE18060/FT will be forwarded unopened to our client unless you list companies to which they should not be sent in a covering letter marked for the attention of the Security Manager:

CAMPBELL-JOHNSTON RECRUITMENT ADVERTISING LIMITED, 35 NEW BROAD STREET, LONDON EC2M 1NH.

Management Personnel

BANKING

Institutional Sales **£25,000+Bonus**
Develop your experience within one of the new broker/bank formations. Our client is looking for self-motivated individuals to join one of the following teams:- small companies; consumer financial services. This is an excellent opportunity to progress your career with a 'good name' organisation. Ref: SM 0244.

Bank Analyst **£16,000**
London based bank offers excellent opportunities for progression to candidates offering expertise in the assessment of counterparty risk and the setting of trading and lending limits. Working as part of a team, responsibilities involve the in-depth analysis of sovereign and bank relationships, Ref: SM 0243.

UK Marketing Officer **£20,000**
Demanding role within a major European bank. Responsibilities include marketing to major UK based companies. Candidates should have had exposure to a broad range of banking products. This position will entail establishing new relationships as well as developing existing business in a competitive market. Ref: SM 0245.

Credit Analyst **£16,000**
UK Merchant Bank seeks self motivated individual to effect the credit analysis of large corporate clients in the North American portfolio. This wide ranging position will entail spread sheet analysis and the presentation of proposals to the credit committee and providing full back-up to marketing. Ref: SM 0242.

Telephone: 01-256 5041 (out of hours 01-803 2783)

10 Finsbury Square, LONDON EC2A 1AD.

SENIOR PROGRAMMER/ SYSTEM ANALYST

Unique opportunity for an applicant with following qualifications:

1 — A Master of Ph.D. degree in Mathematics from a U.K. or U.S. university.
2 — Mastery of Fortran programming and operating system for DEC-VAX or (DEC-20/60), HP A-900 series.
3 — Experience in data communication and brokerage houses preferred.

This position involves taking part in setting up of a highly sophisticated computerised trading unit and eventually directing the data processing and research department. Salary and incentives open and commensurate with qualification.

Please send résumé to: Box A0226, Financial Times
10 Cannon Street, London EC4P 4BY

Fund Manager, Edinburgh

We are looking for a UK Fund Manager to join our independent company which currently manages in excess of £850m.

The successful applicant will have had experience in the management of UK equity portfolios and will, immediately on joining, be responsible for the management of two UK unit trust portfolios and will also be expected to cover a specific sector of the market.

Benefits available include a subsidised mortgage, a non-contributory pension fund and a share option scheme. Salary will be competitive and in line with experience.

Please send your C.V. to:
C H Ross, Managing Director
Edinburgh Fund Managers plc

EDINBURGH FUND MANAGERS

Edinburgh Fund Managers plc
4 Melville Crescent, Edinburgh EH3 7JB
Telephone 031-226 4931

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RECRUITMENT CONSULTANT

BANKING & FINANCE

We are a large well established recruitment organisation currently involved in the construction and engineering markets. As part of our planned growth we intend diversifying into the Banking, Finance and Insurance sectors of recruitment.

We are therefore inviting applications from individuals at present involved in recruitment in those areas who wish to use their skill and experience to develop a new company. We are able to offer excellent benefits packages including future equity participation.

All applications will be treated in strict confidence
Write Box A0219, Financial Times, 10 Cannon Street, London EC4P 4BY

INTERESTING OPPORTUNITY

FOR STOCK EXCHANGE MEMBER
PREPARED TO WORK IN SUSSEX/KENT AREA

Please reply in confidence to:
James Murdoch — Senior Partner
SHAW & CO.
4 London Wall Buildings
Blomfield Street, London EC2M 5NT
Tel: 01-638 3644

بنك الرياض

RIYAD BANK

London Branch

Licensed Deposit Taker

CREDIT AND MARKETING MANAGER c. £40,000 + USUAL BENEFITS

Riyad Bank, a leading Saudi Arabian Bank, is currently seeking a Senior Executive to lead the credit and marketing team of its London Branch.

The successful applicant will have gained wide international experience of marketing and credit assessment of UK and European corporates, particularly with dealings in Saudi Arabia.

Experience of Saudi Arabia would be an advantage.

Please apply in writing with full career and personal details to:

The Chief Manager,
Riyad Bank, London Branch, Licensed Deposit Taker,
Temple Court, 11 Queen Victoria Street,
London EC4N 4XP.

UK Equity Sales

A new venture for an established name

Our client is a world leading investment banking operation, a position gained through its strength in international securities. Now, in the light of deregulation, they are extending their activities to embrace UK equity sales. They are committed to establishing themselves as one of the eventual leaders in this challenging field.

Two of the reasons for their past success have been the level of personal service they provide to their clients and their unrivalled research activities. They shall be applying these principles to their new UK equity sales operation which will begin in earnest once they have appointed several talented and experienced people to the London-based team.

Initially, you will be engaged in servicing a select list of institutions, while simultaneously, they will be building up a UK research base of considerable weight. Naturally you will have access to an international network of sales information and a worldwide client base, to support your drive. As a senior member of the sales team, you will need to demonstrate sound UK equity sales experience gained within a major broking house. Outstanding ability and the potential to succeed within a growth environment is understood. Your likely age range is 25 to 30.

Your presence in the team will help shape and direct the eventual European operation which will develop out of the success of UK equity sales. The opportunities and rewards are equal in significance, for the client and for you, both personally and professionally.

The exceptional remuneration package includes a bonus scheme, BUPA membership and a mortgage subsidy scheme.

Please write with full career details to: Stephen E. Garlick, Director, Lockyer Bradshaw & Wilson, 39-41 Parker Street, London WC2B 5LH.

LBW
LOCKYER, BRADSHAW & WILSON LIMITED

European Fund Manager

Manage a New Fund

This expanding and progressive financial services group operates through specialist companies involved in life assurance, pensions, unit trusts, banking and investment services. They have an excellent reputation for consistent long-term fund performance and total funds under management are approaching £5 billion.

The unit trust company is expanding its range of international funds through the launch of a new European fund. This has created a vacancy for an experienced Fund Manager, based in London, who will be responsible for managing the group's investments in Europe.

Probably a graduate, you have at least 3/4 years in investment and have a proven track record in managing funds in Europe. You work best when part of an investment team, yet have the independence to make your own investment decisions.

Initial remuneration includes a competitive salary, company car with free petrol, non-contributory pension scheme, free life assurance, BUPA and profit-sharing scheme.

To apply, please telephone or write enclosing a cv, in complete confidence, to Barbara Lord quoting Ref: AAB2/8675/FT.

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Hyde Park House, 60a Knightsbridge, London SW1X 7LE. Tel: 01-235 6060 Telex: 27874

SLAUGHTER AND MAY

are looking for

Young Corporate Finance Lawyers

Slaughter and May invite applications from young solicitors who want to join a first-class team of City lawyers engaged in corporate finance.

The firm's continuing success has meant an involvement in major bids and deals in the takeover field; it has meant an ever-increasing activity in all the exciting and intellectually challenging aspects of corporate finance; it has also created opportunities for more young lawyers to join the team.

A good academic background and an energetic approach are essential. The friendly atmosphere provides congenial working conditions. Salary and benefits are attractive.

Write now, with a detailed curriculum vitae, to:

Michael Pescod,
Slaughter and May, 35 Basinghall Street, London EC2V 5DB.

Industrial Economist

This post carries responsibility for forecasting car and commercial vehicle demand and production, preparing analytical articles for publication, maintaining and updating forecasting models.

DRI Europe (an operating company of McGraw-Hill) is market leader in providing economic analysis and quantitative research for the European and world automotive industry. Our automotive staff, based in London and Paris, combining rigorous analytical techniques with informed judgement in our forecasts and issue-related work.

Candidates must be able to show evidence of report writing skills and practical use of quantitative analysis. A background including analytical experience in the motor industry will be advantageous, as will language skills.

Candidates will require strong academic qualifications (probably an MSc (Econ) or equivalent) with a good grounding in econometrics and other quantitative techniques. They should be ready to progress towards a prominent role in developing and presenting DRI services to clients in Europe and beyond.

Expected salary range: £12-20,000 according to experience. Prospects for advancement to more senior posts are excellent.

Please reply in confidence to:

John Lawson
DRI Europe Ltd
30 Old Queen Street
London SW1H 9HP

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MANAGEMENT CONSULTANCY

Opportunity for Shareholding and Directorship

We have been helping businesses to plan and take action to improve profitability since 1947. We concentrate on getting results for our clients. We work in many different industries and on different problems. New Orr & Boss companies in Switzerland and USA with employee participation have demonstrated that growth can be compatible with a high quality of service. We are now moving to employee shareholdings in the UK where we also have an able and highly motivated team. The company is very sound financially and management succession presents no problems.

Our plans for further expansion and diversification imply that our management team needs to recruit one more very senior consultant with a record of success in negotiating and managing projects.

If you feel that you meet this description, and would like to discuss the possibilities for you within Orr & Boss, please send brief personal details in confidence to:

Gordon Walker, Managing Director,
ORR & BOSS and Partners Limited,
62 St Martin's Lane, London WC2N 4JS

CORPORATE BUSINESS DEVELOPMENT

The Commonwealth Development Corporation is a statutory body concerned with investment in and the promotion, operation and management of commercial enterprises including agricultural projects in the developing world. It operates through 18 overseas offices, in 50 countries, with investments and commitments exceeding £900 million.

Our business development activity has traditionally been handled within geographical operating areas. It is now planned to complement this with a corporate Business Development specialist who, as a senior member of the Business Development and Evaluation Department, will work closely with senior UK and Overseas management in investigating new business areas and in promoting joint ventures with British Industry.

The person we are seeking is likely to be a graduate (possibly in Economics or Engineering), aged 45-55, who has held positions of considerable management responsibility, probably in marketing, finance or consultancy. Numerate, well versed in operating at Board level and familiar with industrial/commercial markets, the successful candidate will be essentially an innovator with a successful track record in initiating new business.

A two year fixed term contract is envisaged at a salary of £30,000.

Applications, with a full curriculum vitae, should be sent to:

M. B. Knott, Personnel Executive,
Commonwealth Development Corporation,
33 Hill Street, London W1A 3AR,
quoting serial no. 2194.

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CDC
Commonwealth Development Corporation

Executive Director

Capital Markets

Our client, a major U.S. bank, with e substantial international presence, requires an executive director to assume responsibility for all international syndicated fecilities.

The successful candidete will be responsible for the identification of syndicatioo opportunities and the cross-selling of other merchant banking services, and will beve a thorough knowledge of eurocurrency market practices and curreot developments in all sectors of the international syndicated credit market.

Candidates, in their aarly thirties, possessing several years' relevant axperieoce, should also have the necessary interpersonal skills to develop and manage a team of professionals. Well davaloped oegotiating techniques and communicatioo skills will be needed to orchestrate successful bids for mandetes against strong international competition.

The salary package will be highly attractiva and will be oegotieted according to level of relevant experience. Please write, enclosing full curriculum vitae, quoting ref 434 and stating claarly any organisations to whom details should not be forwarded to:
Steve Garlick
Director
Lockyer, Bradshaw & Wilsoo Ltd
39/41 Parker Street
London WC2B 5LH.

LBW
LOCKYER, BRADSHAW & WILSON LIMITED

MANAGER — SETTLEMENTS £25,000 plus

Major US International Investment Bank requires a Settlements Manager (age 29+), with experience of FX, Equity, Bond and C.D. settlement procedures in an agressive Merchant/Investment Banking environment.

SENIOR CREDIT ANALYST £16,000

Our Client, a leading European Bank requires a Senior Analyst with strong credit skills from an International Banking background. The successful applicant will provide credit reviews and studies on financial institutions, sovereign, corporate and industrial sectors.

For further details please telephone Catherine Virr on 01-621 1942 or write to her at 18 Rood Lane, London EC3M 8AP. All inquiries will be treated with strict confidentiality.

Brunel Banking Appointments

Assistant Fund Manager

CITY

This is a valuable career opportunity for someone in their early twenties with around three years' market experience including some direct familiarity with the management of unit linked funds.

Offering considerable potential for progression in both the management and marketing aspects of the financial services industry the role entails providing assistance to a specialist Fund Manager.

Cornhill is a composite Insurance Company with a growing Life Assurance Division. Remuneration at commencement will be in a range up to £17,000 per annum which will include basic salary, location allowance, subsidised mortgage, health insurance and other benefits associated with a leading insurer.

Applications including a full c.v. and current salary level will be treated in confidence and should be sent to:
Mr E J Hughes, Personnel Executive,
Cornhill Insurance PLC., 57 Ladymead, Guildford, Surrey GU1 1DB.

Cornhill Insurance Group

SENIOR BANKING APPOINMENT

A LEADING UAE BANK require a Chief Executive for their U.K. operations. Ideally, the candidate would be an Arab with good education, strong business connections, thorough knowledge of the City, orientation in investment banking and drawing not less than £30,000 p.a. with fringe benefits.

A good opportunity to work on a wide canvas.

Detailed curriculum vitae, marked "Private and Confidential," may be sent to Chief Manager, Overseas Operations Division, latest by August 14th, 1986. Full confidentiality assured.

P.O. Box 1250, Deira, Dubai
United Arab Emirates

FLEMINGS

EUROPEAN ANALYST

Robert Fleming Investment Management have a vacancy for an analyst to join the team covering Continental European stock markets.

The successful candidate will ideally be an MBA or have at least two years' experience of investment analysis, preferably, although not essentially, in this area of specialisation. Knowledge of foreign languages and/or a quantitative background would also be helpful.

A competitive salary according to age and experience, together with fringe benefits, will be offered.

Applicants should write, enclosing their *curriculum vitae*, to:

Frank Smith,
ROBERT FLEMING & CO. LIMITED,
25 Copthall Avenue,
London EC2R 7DR

punjab national bank

A Public Sector Bank with Headquarters in India requires for its branches in U.K. at London, Wolverhampton, Birmingham and Gravesend

JUNIOR OFFICERS

Candidates in the age group of 25-30 years, and permanently resident in U.K. with minimum qualifications of "A Levels" and three years' experience in supervisory capacity in any Bank, may forward their curriculum vitae, also mentioning salary expected. *Knowledge of Hindi preferable.*

All applications, addressed to Mr D. K. Malhotra, Manager, should reach within 10 days at the following address:

Punjab National Bank,
Moor House, 119 London Wall,
London EC2Y 5HJ.

K-W

Spot ECU Broker

Due to continued expansion we are seeking an additional experienced Spot ECU broker to join our successful team. Please apply with full career and salary details to:

Mr M R Frisby, Joint Managing Director,
KIRKLAND-WHITTAKER (Foreign Exchange Brokers) LIMITED
67 Chiswell Street, London EC1Y 4XX. Tel: 01-638 9354.

Accountancy Appointments

INTERNATIONAL BANKING
FINANCIAL CONTROLLER

City c.£30,000 + banking benefits

Our client is an American owned international bank with operations in key locations around the world. Its banking network provides a wide range of financial products and financial market services to a customer base which includes financial institutions, governments, businesses of all sizes and individuals.

The London operation is now seeking to concentrate on capital market and merchant banking operations and is looking for a financial controller to take on responsibility for the provision of a full financial service.

Candidates should be chartered accountants, ideally in their mid-30's, with experience of accounting in an international banking operation. They should additionally be fully conversant with computer based accounting and management information systems.

This most interesting, and potentially rewarding position, carries with it the normal attractive banking benefits and offers the successful candidate scope for personal development in contributing to senior management of the bank.

Please reply in confidence, enclosing full career details and quoting reference 5797/L to Anne Routledge, Executive Selection Division.

PEAT MARWICK

Peat, Marwick, Mitchell & Co.,
165 Queen Victoria Street, Blackfriars, London EC4V 3PD.

UK Internal Auditor

North Herts

c. £22,000 + Bonus + Car + Subsidised Mortgage

This well-established Canadian company provides an extensive range of competitive products and services to meet all needs within the life insurance sector. It has offices worldwide, and, with assets of more than $12billion, is recognised as a major international financial corporation.

An excellent opportunity now exists for a high calibre accountant to join the UK financial team and take full responsibility for the internal audit function. Reporting to the General Auditor in Toronto, the Internal Auditor will formulate audit strategy for all UK operations and monitor financial controls. A major challenge will be to increase the computer audit capability, and build a responsive operational audit service.

Candidates should be qualified accountants, preferably chartered, aged over 27 with several years auditing experience, gained in a major accounting firm or financial institution. Experience of computer audit is essential, as are initiative, ambition and self-motivation. An analytical approach and good communication skills will enable the ideal candidate to match the requirements of this role and to develop within the company.

Please reply in confidence, giving concise career, salary and personal details quoting Ref. ER875 to:
Micheline Wilkin, Executive Selection, Arthur Young Management Consultants, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NG.

Arthur Young Executive Selection
A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Capital Investment Controller
Dynamic Retail Environment

London Minimum £25,000 + car + high bonus potential

Our client is one of Britain's leading retail groups with sales turnover in excess of £700 million. The group has increasingly gained a reputation for innovative progressive retail management and recent months have been a time of considerable change including a major management reorganisation. As part of this, there is now an urgent requirement for a very high calibre manager to join the team with a view to a fast-track career within the group.

You will be responsible for controlling the major refurbishment project which the group has recently embarked upon to reflect a completely new concept. The scale of the project is extensive and the responsibilities of the position will include:

- ★ Liaison with all involved parties, including operations and merchandising management, as well as external agencies and consultancies.
- ★ Control of capital and revenue expediture, assessment of knock-on effects and critical path analyses.
- ★ Setting of performance criteria.
- ★ Reporting and recommending at board level.

Candidates will be self motivated qualified accountants with an assertive but diplomatic approach, and accustomed to operating at all levels.

The position demands maturity and well developed interpersonal skills, therefore it is unlikely that the person appointed will be aged under 30.

The first class salary and benefits package will be complemented by a bonus scheme which is likely to considerably enhance your basic remuneration.

Interested candidates should write to Nigel Bates FCA, Executive Division, enclosing a comprehensive CV, quoting ref. 328, at 39-41 Parker Street, London WC2B 5LH.

MP

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol Birmingham Manchester Leeds Glasgow Brussels New York Paris Sydney
A member of the Addison Page PLC group

Financial Controller
Contracting

West London

c £25,000 + Car

Our client is a small but highly profitable electrical installation contractor which has recently been acquired by a successful US group as its springboard into the UK market. With a strong commitment to rapid growth, the company offers exciting career prospects for someone commercially aware and highly skilled in financial matters.

The position calls for a Qualified Accountant, aged up to 50, with several years experience in a contracting related environment. The responsibilities will include all aspects of financial management, including budgetary control, monthly reporting and cash management. Experience of developing computer-based systems is essential.

The company offers an attractive remuneration package and there are excellent prospects for someone with drive, ambition and the ability to contribute to the overall development of the business.

Please send concise details, including current salary and daytime telephone number, quoting reference F2015, to W S Gilliland, Executive Selection Division,

Grant Thornton
Management Consultants
Fairfax House, Fulwood Place, London WC1V 6DW.

BUSINESS ANALYST

CENTRAL LONDON to £23,000+Car

Our client is one of the leaders in the UK leisure industry with 200 locations and a turnover of around £130m. The young board of directors intends further to develop the company by means of aggressive marketing, product growth and a positive attitude towards acquisitions.

This is a new position reporting to the main board Finance Director and is central to the company's progressive business policy. Operating in a competitive market, where location managers expect full support from head office staff functions, responsibilities will require completely professional analysis of divisional performance, making use of LOTUS 1-2-3 to design a new approach to management information often preparing reports for the Chairman to appraise. A key area of involvement will be in acquisitions and occasional disposals, necessitating regular analysis of competitors' results, liaison with target companies' directors, research agencies and regular discussions with corporate financial advisers. Ad hoc tasks will include a variety of projects with the emphasis on new business development.

● ONLY APPLY if you are:– Aged 25-30

A graduate qualified accountant

Able to achieve results as a self starter in a high pressure environment

Tough, self confident with excellent communication skills.

The successful candidate will be rewarded with an interesting challenging and commercial role, success in which will lead to promotion to Divisional Finance Director within two years.

Considerable further information is available to those selected for interview.
Please write or telephone:–

GERRY PEARSON 01-402 7162

SCOPE EXECUTIVE (Recruitment and Consultancy) Ltd
10A London Mews,
London Street,
London W2 1HY
Tel: 01-402 7162

Assistant Audit Managers

London base · c.£19K + car & benefits

With a turnover in excess of £300 million, BUPA ranks as Britain's leading private health care organisation. With services ranging from health insurance, hospitals, medical centres and nursing services to medical research, fitness assessment, and care for the elderly, it is a diverse and expanding group of companies.

New, sophisticated DP systems are currently being implemented and these, together with other far-reaching developments, will impact on every facet of our business.

At a time of great change there could be no better opportunity for the young and ambitious audit specialists we are now seeking to strengthen our team.

Professionals whose remit will stretch beyond the traditional areas of independent audit investigation and team leadership/motivation, into the development of techniques, the introduction of methodologies and above all the 'marketing' of the internal audit function as a 'useful' business analysis tool.

These highly visible roles are crucial to future development and we shall be understandably selective about the men and women we appoint.

Aged between 25-30 they will all be fully qualified. Probably educated to degree level, they will have team leadership experience in a large scale audit environment, as well as considerable exposure to DP systems. Above all, these new managers will have the technical skills, communication ability, and diplomatic qualities to quickly grasp complex business situations, manage and motivate by example and win respect at all levels of the group both in UK and international operations.

It's a lot to demand but equally there is a lot on offer. The attractive salary (reviewable after six months) comes with a range of benefits including a company car, free BUPA, and a mortgage subsidy. Relocation assistance is available if appropriate.

Progress within the function and indeed into general management will be dictated by ability alone.

Send a cv to Mrs Margaret Monaghan, Personnel Manager, (Group), BUPA, Provident House, Essex Street, London WC2R 3AX. Tel: 01-353 5212.

BUPA
Britain feels better for it.

Finance Managers
Senior Financial roles within Greater Manchester's new public transport initiative

c.£21,058

The appointment of the area management teams at Greater Manchester Buses Limited is part of the next phase of getting itself into shape to take over the bus operations of the Greater Manchester Passenger Transport Executive.

Reporting to one of four Area Managing Directors within the new system, you'll be expected to provide a comprehensive finance management capability, including Supplies and Administrative functions, to the Area subsidiary and to be qualified and able ultimately to function as a Company Secretary.

Your formal accountancy qualification will be backed by several years' in-depth commercial accounting experience, involving capital and revenue budget compilation and performance monitoring, statutory accounts and sound administrative procedures. Knowledge of the bus industry would be an advantage.

As well as the attractive salary, there will be the benefits package which you would expect at senior level, including assistance with relocation expenses, where applicable.

If you feel you shape up to taking a leading role in meeting the challenge of providing modern public passenger transport in a commercial environment, write in confidence to: J Dutton, Principal Personnel Manager, Greater Manchester Buses Limited, 2 Devonshire Street North, Ardwick, Manchester M12 6JS, from whom further information is available.
Closing date: Monday, 4th August, 1986.

GM Buses

FINANCE EXECUTIVE

EXCELLENT SALARY AND BENEFITS PACKAGE OFFERED

We are a leading US designer and manufacturer of high performance data communications systems.

We are seeking a highly-motivated candidate for a key financial position at our European Headquarters in the UK. The ideal candidate will be a Qualified Accountant with a minimum of 10 years' experience at Controller level in a computer-related electronics industry and possess a thorough knowledge of US accounting methods, regulations and procedures.

Please send full c.v. to Box A0196, Financial Times 10 Cannon Street, London EC4P 4BY

Hoggett Bowers
Executive Search and Selection Consultants
BIRMINGHAM, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, SHEFFIELD and WINDSOR

Chief Accountant

Industrial Hose Products
North East, To £16,000, Car

A division of a highly successful multi-national and a UK market leader in the manufacture and sale of superior quality industrial hose products, this high volume, batch manufacturing plant operates sophisticated financial control and management information systems. Reporting to the Managing Director, the Chief Accountant has full operational responsibility for a finance department of 15 staff, including the preparation and evaluation of all financial and management information, performance monitoring and reporting, investment appraisal and the further development of a fully computerised accounting system. Qualified accountants, aged over 26, will be high calibre, industrially based financial managers with significant experience of running a finance function utilising computerised accounting techniques. Strong in management and leadership skills, the ability to liaise and input strategically at senior level with corporate finance, sales and operations management, is essential.

K. H. Thompson, Ref: 46093/FT. Male or female candidates should submit in confidence a comprehensive C.V. or telephone for a Personal History Form, *091-232 7455*, Hoggett Bowers plc, *4 Mosley Street*, NEWCASTLE-UPON-TYNE, *NE1 1DE.*

Management Personnel

GROUP MANAGEMENT ACCOUNTANT

Herts Controller Designate to £19,000 + car

A qualified Accountant (ACA, ACCA, or ACMA) aged 25-40, you should be acquainted with advancing financial systems using computer techniques and ideally have gained some experience at Controller or Assistant Controller level. Part of a major 'blue chip' multi-national, our client is a subsidiary manufacturing business group (turnover £140 million) with operations in the UK and N. Europe. They have a requirement for an individual to undertake a new and challenging position, with the potential to aspire to Group Financial Controller, probably within two years.

Reporting to the Finance Director, you will be involved in developing and implementing new systems as well as undertaking a variety of special projects. Commercial awareness, good communication skills and the ability to work on your own initiative are the inherent qualities required to emphasise the importance of tight financial controls throughout the Group.

Opportunities within this international concern are only limited by your own ability. Please telephone Neil Jury for an application form or send a full C.V. with covering letter.

Telephone: (0727) 35116 (out of hours 0525 718211)

105 St Peter's Street,
ST ALBANS, Herts AL1 3HH.

Accountancy Appointments

INTERNATIONAL STOCKBROKER

GROUP MANAGEMENT ACCOUNTANT

City c.£30,000 + bonus + benefits

Our client, a major international stockbroking group, long established in the City, is a leader in its fields and has an impressive record of growth and diversification.

As part of the group's continuing expansion it now seeks a group management accountant to support and enhance the work of the small central financial team.

Candidates must be chartered accountants, ideally in their late 20's or early 30's, and preferably working in a financial services or stockbroking environment. Drive and ambition are required but application is equally important. Excellent communication and interpersonal skills are essential to work successfully in a strongly entrepreneurial environment.

Please write in confidence enclosing career details and quoting reference 6289/L to Anne Routledge, Executive Selection Division.

PEAT MARWICK

Peat, Marwick, Mitchell & Co.,
165 Queen Victoria Street, Blackfriars, London EC4V 3PD.

Group Management Accountant

London c.£20,000+car

Our client, part of a prestigious international group and a leader in its field, has three major manufacturing locations and markets its products all over the world through 16 selling companies. Turnover is £180m and there are 3,000 employees.

As a result of internal promotions, the opportunity has arisen to join the small headquarters finance team. The responsibilities are very broad and will include the preparation of management information for presentation to the Board, the consolidation of statutory accounts, the preparation of budgets and forecasts and special projects. The establishment of good relationships with Financial Controllers throughout the world is essential.

You will be a qualified accountant under 30 with a mature personality and good interpersonal skills. You will have relevant financial experience which could have been gained either in a large professional firm or in a substantial manufacturing environment.

Success in this role should result in further career opportunities within the Group, either in the UK or overseas.

Please send a detailed c.v., including daytime telephone number, in strict confidence to George F. Cross, ACMA at Management Appointments Limited (Search & Selection Consultants), Finland House, 56 Haymarket, London SW1Y 4RN, Tel: (01) 930 6314.

MAL
Management Appointments Limited

Appointments Advertising

£41 per single column centimetre and £12 per line

Premium positions will be charged £49 per single column centimetre

For further information call:

Louise Hunter
01-248 4864

Jane Liversidge
01-248 5205

Daniel Berry
01-248 4782

GROUP FINANCIAL ACCOUNTANT

Major International Financial Services Group

Up to £27,000 + car **City**

Our client is one of the world's largest and most successful insurance broking groups, with revenue exceeding £½ billion and profit well above 20% on revenue. It is a company with great style, which extends from management attitudes through working conditions to its professional staff. As you would expect, only the highest professional standards are acceptable. We are looking for a young, high calibre chartered accountant to control the preparation of monthly, quarterly and annual financial reports. To meet those high corporate standards, we will be demanding substantial post-qualification experience with a major firm plus several years in the finance activity of an industrial or commercial operation. We need experience of complex consolidation and the preparation of published financial statements, knowledge of public company reporting requirements and familiarity with both micro and mainframe accounting systems. We are expecting our best candidates to be late twenties/early thirties, able to think on their feet and communicate well. Promotion prospects, both in the UK and internationally, are excellent. Please send full career details to Malcolm Coates, quoting reference LI 6128.

LINK 13/14 Hanover Street, London W1R 9HG. Telephone 01-493 5788.
Link International Search & Selection Ltd.

US INVESTMENT BANK DEVELOPMENT ROLE

ACA'S 26–30 £30,000 PACKAGE

As a result of increasing client demand, our client, a strong competitor in the major financial markets, is continuing its programme of co-ordinated expansion in the UK.

To meet the demands of the highly competitive environment and new regulatory framework in the city, they are now seeking to appoint an individual of outstanding ability. The role will be advisory and developmental in nature and will involve the provision of technical support across all trading areas. Initially some time will be spent in New York gaining familiarity with our clients operations.

The successful candidate is likely to have already gained some experience within a banking environment or be at manager level within a major professional firm.

Interested applicants should telephone Robert Walters on 01-930 7850 or write enclosing brief details to the address below.

ROBERT • WALTERS • ASSOCIATES
RECRUITMENT CONSULTANTS
66-68 Haymarket London SW1Y 4RF Telephone: 01-930 7850

FINANCE DIRECTOR

South Yorkshire/ N Midlands **c.£25,000 – £30,000 + share options + car**

This represents an outstanding and unique career opportunity to join one of the UK's fastest growing listed mini-conglomerates.

The initial appointment is Finance Director of a recently acquired manufacturing subsidiary. However, such is the expansion of the group that the role could very rapidly develop into a larger divisional responsibility covering a number of other companies.

The group, therefore, wishes to recruit someone of stature, capable of introducing suitable systems and providing strong financial control to new subsidiaries, as well as assessing potential acquisitions. Equally important is the strength and confidence to make a positive contribution to a dynamic senior management team.

Such a key position requires a high quality individual able to demonstrate a clear ability for strong personal development, together with a proven record of achievement to date.

The successful candidate will be an ambitious qualified accountant possessing well developed inter-personal qualities allied to the analytical and commercial skills needed to contribute to the maximisation of the company's performance.

In the first instance, please telephone (0742 754015), or write (enclosing cv) to, Alyn Pearce, LL.B., ACA (Associate Director) at Daniels Bates Partnership Ltd., Fountain Precinct, Sheffield, quoting ref: 86S/597FT.

Daniels Bates Partnership
PROFESSIONAL RECRUITMENT

Daniels Bates Partnership Ltd., Fountain Precinct, Leopold Street Wing, Sheffield S1 2GZ. Tel: (0742) 754015.
Also at: Josephs Well, Hanover Walk, Park Lane, Leeds LS3 1AB. Tel: (0532) 461671 (5 lines 24 hours).

GROUP ACCOUNTANT

Major Merchant Banking Group

ACA

c.£24,000 + car

One of the most prestigious Merchant banking groups in the City seeks a graduate chartered accountant with good post qualifying experience in a leading professional firm or in the head office of a major City financial institution.

Duties will include the preparation of group consolidated reports, taxation and financial planning, the review of budgets and the monitoring of cash flow and currency exposures. There will be some liaison with group directors and senior executives as well as financial controllers in the autonomous subsidiaries, involving the future development and coordination of group accounting practice.

This is a career appointment of considerable significance to an ambitious young accountant who can demonstrate high technical skills and the personal qualities and character that this senior post requires. The package includes a salary negotiable around £24,000, plus car and a wide range of banking benefits.

Please write in confidence, with full career details, quoting reference 3972/L to John W. Hills, Executive Selection Division,

PEAT MARWICK

Peat, Marwick, Mitchell & Co.,
165 Queen Victoria Street, Blackfriars, London EC4V 3PD.

BADENOCH & CLARK

CORPORATE FINANCE

We are a market leader in Corporate Finance recruitment. We are experiencing a high level of demand for ambitious and innovative Chartered Accountants from a variety of clients including Merchant Banks, Stockbrokers, practising firms of Accountants and industrial companies.

Current opportunities include:—

STOCKBROKER
CITY

Our client is an established U.K. Stockbroker with an excellent reputation for the quality of its research. They wish to strengthen their corporate finance team by appointing two additional team members – one to become involved predominantly with M and A work and the other in general corporate finance transactions, both domestic and international.

Applicants are likely to be aged between 25 and 32, ideally with investigations experience. Knowledge of one or more European languages would be useful. Salaries are negotiable and the package will include substantial bonuses.

FINANCIAL ANALYST
To £20,000 + Car

This is an exceptional opportunity to join a small team of professionals working for a major Plc.

Candidates should be qualified accountants with at least three years post qualification experience and aged in their mid/late 20's.

This post requires good investigative experience coupled with the ability to assess the legal and taxation implications of new overseas contracts. Applicants must be able to speak Spanish and be willing to travel up to 20% of the time.

For further details of these and other vacancies, please contact **Robert Digby, Robert Morgan** or **Tim Clarke.**

Financial Recruitment Specialists
16-18 New Bridge St, London EC4V 6AU
Telephone 01-583 0073

BUSINESS PLANNER/ STRATEGIST

C. London **£22K + Car**

An outstanding record of successful acquisition world-wide has led this major manufacturing group to an enviable market position. You will make a direct impact on the further development of their expansion strategy.

• ACQUISITIONS • CORPORATE PLANS • FINANCIAL MODELLING

Clearly a prominent role, a history of early promotion to key management positions has already been established. A young (25-30) qualified accountant with 1-2 years post-qualification experience of an analytical nature is sought. He/she will find that their commercial acumen and communication skills are stretched, challenged and amplified, preparing them for a future in general management.

If you thrive on variety and challenge in a forward-looking environment, please call JANE EASTON, quoting Ref. 2484 on 01-242 6321 (or send CV).

Personnel Resources 75 Gray's Inn Road London WC1X 8US

Personnel Resources
Public Practice Division

FINANCIAL CONTROLLER

AGE 28/33 NORTH WEST £20-24,000 + car

An excellent opportunity has arisen within the UK operation of a major multinational for an accountant who can already demonstrate a proven track record. The company designs and manufactures capital equipment machinery, employs 1000 people and has a £70m + T/O of which 90% is exported. It commands an enviable world-wide reputation.

Although the successful candidate will report to the European Financial Controller, the company structure means that in practice he/she will assume responsibility for the full range of financial control. Initial emphasis will be directed towards a new costing system, financial and strategic planning and systems appraisal. The accounting support staff is large and is managed through a small qualified financial team.

He/she will be a graduate qualified Accountant, probably Chartered, who has the energy, business acumen and technical skills to justify promotion to other key financial roles within 2 years. The successful candidate should have the personality and strength of character and a "shirt sleeves" approach when necessary that will gain the respect of colleagues in other disciplines.

The company can offer outstanding experience and a challenging career path. Conditions of employment are commensurate with those of a multinational group.

Please contact Lawrence Barnett or Dudley Harrop at our Manchester Office quoting ref: FM507.

Trident House, 31-33 Dale Street, Liverpool L2 2HF Tel: 051-236 9373

ASB RECRUITMENT LIMITED

Eagle Buildings, 64 Cross Street, Manchester M2 4JQ Tel: 061-834 0618

MANAGEMENT ACCOUNTANT

with experience of computerised systems

A competent and experienced management accountant is required for a medium-sized chemical manufacturing company which is part of an international group. Current developments have created an opportunity for an ambitious accountant to join the senior management team.

Ideal candidates will be 30-35, qualified accountants with at least three years' experience in chemical manufacturing or a similar process industry. They will be technically competent in all aspects of management accounting and able to develop, control and monitor a computerised management information system.

Remuneration: c. £16,000 plus car, BUPA and relocation assistance where necessary. Location: North-West.

Please write Box A0217, Financial Times 10 Cannon Street, London EC4P 4BY

Accountancy Appointments

Audit Manager

– a Europe-wide role with a world leader

c£20,000+car **based Enfield, Middx**

Matchbox Toys Limited, one of the world's top toy manufacturers, has this exceptional opportunity for an experienced finance professional.

Reporting to the Group Internal Auditor, who is based in Hong Kong, you will have full operating responsibility for the co-ordination of all financial and operational audits throughout the European division. This division includes manufacturing, warehousing, distribution and marketing facilities in England – at Enfield and Rochford – and in France, Germany, Spain and Italy.

A qualified accountant, aged 26-30, you will probably be either working in the profession, with one of the "big eight", or will have had at least 2 years experience of internal audit with a large multinational, ideally in manufacturing. Experience of computer-based financial systems will be advantageous as the European division will shortly be converting to IBM 3800 equipment. Extensive European travel is anticipated therefore a sound working knowledge of either French or German is essential. Familiarity with US, German and French statutory reporting procedures would also be a distinct advantage.

As well as the excellent salary and company car the attractive benefits include generous relocation assistance where appropriate.

Please write enclosing a detailed c.v. to: Mr G. Lewis, Personnel Manager, Matchbox Toys Ltd., Burleigh House, Great Cambridge Road, Enfield, Middlesex.

MATCHBOX

FINANCIAL DIRECTOR

West Country **c.£25,000 + car**

Our client is a fast growing subsidiary of an internationally reputed advanced technology manufacturing plc with an outstanding financial record.

This new appointment will allow further devolution of responsibility for financial management within the group/subsidiary relationship, but already calls for the ability to take charge of established financial control, management accounting and MIS/DP departments.

Candidates, graduates (ideally in engineering) in their mid thirties must be qualified accountants with experience of managing a total finance function, including budgeting and forecasting, within a fast growth electronics/engineering manufacturing organisation. Other desirable attributes include acquaintance with computer integrated systems, office automation, CAD/CAM, marketing and pricing and distribution agreement.

Please write in confidence, enclosing career details and quoting reference 4367/L to Michael Blanckenhagen, Executive Selection Division.

PEAT MARWICK

Peat, Marwick, Mitchell & Co.,
165 Queen Victoria Street, Blackfriars, London EC4V 3PD.

Finance Director

HOLLAND & HOLLAND
LIMITED

Our cliants are the renowned gunmakers and retailers of sporting weapons, antique arms and armour, books, clothing and associated goods.

A Finance Director is to be appointed to control end develop the Company's accounting procedures and to advise on financial strategies related to continued growth.

The post would suit a qualified accountant with experience of heading the accounting function in a small or medium sized company, preferably in retailing and manufacturing. It is unlikely that anyone under 35 will have had the necessary experience. The need for review of present computerised systems cails for someone with an affinity for computers.

Supported by an accountant and a small staff, the Finance Director will be responsible for accounting at tha Company's weapons menufacturing facilities in London and Birminghem, their shooting school in Northwood, and retail showroom in Mayfair.

Please apply with a full cv including current salary and daytime telephona number, and quoting reference 1464, to:

BinderHamlyn
MANAGEMENT CONSULTANTS

Roger Bull, Executive Selection Division
Binder Hamlyn Management Consultants
8 St Bride Street, London EC4A 4DA

Heron Homes
HERON
A Heron International Company.

Controllers – AVON

Heron Homes Limited is the rapidly expanding and highly profitable private housebuilding division of Heron International PLC, which is one of Britain's largest privately owned and most diverse Groups.

These two appointments are to strengthen and consolidate the current management team as part of its expansion plans. Previous house building experience will be an obvious asset and the nature of the business and style of the Company will require a practical "shirt-sleeves" approach combined with a professional and totally dedicated attitude. Experience on computerised business systems is considered to be essential.

Group Financial Controller

c£20,000 + car

Candidates for the Group role will be qualified accountants in their late 20's/early 30's and will be currently working as a Divisional Chief Accountant/Financial Controller in a major Group. Reporting to the Group Finance Director the successful applicant will be responsible for the administration of the finance function. Candidates will need to demonstrate a high commercial awareness, possess man management skills and be able to communicate effectively with all levels of management.

Divisional Financial Controller

c£14,000 + car

Candidates for the Divisional role will be qualified accountants in their mid/late 20's and be able to demonstrate potential in terms of acumen and interpersonal skills. Reporting to the Group Financial Controller, technical competency and appetite for hard work are essential as is the discipline to work within tight deadlines. Candidates will be expected to participate in the overall management of an Operating Division.

If you feel that you have the necessary skills/professional qualities to succeed in these roles, please write, enclosing a comprehensive curriculum vitae to Adrian Wheale ACMA, ACIS at 29 St. Augustine's Parade, Bristol BS1 4UL.

MP
Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol Birmingham Manchester Leeds Glasgow Brussels New York Paris Sydney
A member of the Addison Page PLC group

Small Manufacturing Company
requires

COMPANY ACCOUNTANT

ASHFORD, KENT
Tel: 0233 29764

GROUP FINANCIAL CONTROL

Herts/North London Near M1 **c £20,000 + car**

Our client is a highly respected public group with diverse manufacturing and marketing operations in the U.K. supplying both home and overseas markets. It has a commitment to growth by acquisition and through further investments in existing operations.

As a key member of the group management team, reporting to the Group Financial Director and with close contact with the main board, you will assume responsibilities for the appraisal and development of management information systems, budgeting and planning, as well as monitoring, consolidating and reporting on subsidiary operations. You will gain an in-depth understanding of group activities and liaise closely with subsidiary finance and managing directors reviewing performance and providing technical advice and support.

This is a challenging management role offering the opportunity to provide a significant contribution to the group's development and profitability.

The successful applicant will be a Chartered Accountant, aged 27 to 33, with experience either in commerce or public practice.

*In the first instance please contact **Brian Cognet FCCA on 01-387 5400** (24 hours) or write to him at the address below:*

FINANCIAL SELECTION SERVICES
DRAYTON HOUSE, GORDON STREET, BLOOMSBURY, LONDON WC1H OAN TELEPHONE: 01-387 5400

Senior Financial Accountant

West End

Town & City Properties Limited, a member of the P&O group, has a UK property portfolio approaching £1 billion. The company has an active policy of property acquisition, management, development and disposal. This is subject to stringent financial monitoring and control by the company's executives using a comprehensive integrated data base for accounting and property information.

Following recent expansion a new position now exists for a Senior Financial Accountant. The responsibilities include control of the accounting records, coordination of divisional financial reporting and public reporting of divisional companies, involving close liaison with group headquarters and professional advisors.

An intellectual but pragmatic qualified accountant is required, probably younger than 30. A fully competitive remuneration package is offered; there will be opportunities for career development withio the international P&O group.

In the first instance please send brief personal and career details to Philip Bignell, Town & City Properties Limited, 220 Tottenham Court Road, London W1P 0HH, marking the envelope confidential.

TOWN &CITY

Financial Director Designate

Up to £20k package

Our client provides a highly successful business support service in the South East Essex area, and have already established a turnover approaching £2 million since their inception in the early 1980's.

A Financial Director Designate, with extensive practical experience in all facets of accounts production, and an excellent management background, is now required to work closely with the Managing Director as the company makes exciting plans for expansion and possible flotation in the next three years.

Ideally you should be in your mid to late 20's and combine a vibrant personality with the ability to evolve the financial support function to meet the growing demands of an entrepreneurial executive team.

For the right person a highly attractive salary and benefits package, with future equity participation, will be available. The prospects therefore for someone to effectively assume senior executive duties at this crucial point in the company's development are, naturally, excellent.

To find out more ring Paul Ballard on 01-628 5021 (01-256 6925 evenings/weekends) or send him your C.V. at Austin Knight Selection, 17 St. Helen's Place, London EC3A 6AS. Ref: 700/PB/86.

Austin Knight Selection

Financial Accountant

London **up to £22,000 + Car**

Our client is a successful, international services company with an annual turnover in excess of £1 billion.

They are currently looking for a chartered accountant to join their head office financial team. This is a high profile role within the group and includes extensive contact with the subsidiary companies.

Initially a major contribution will be made in developing financial information systems and upgrading computerised financial accounts. A variety of other accounting responsibilities contribute to making this a demanding and fulfilling role.

The individual, preferably a graduate, will have at least 2 years' post qualifying experience, strong communication skills, a sharp analytical mind, and a hard-working determined approach. Experience of US accounting methods would be an advantage. The age indicator is 27-32.

Excellent opportunities for progression exist within the group. In addition ro the very competitive salary there is an attractive benefits package including a car, generous holiday allowance, BUPA and contributory pension scheme.

Interested candidates sbould write to Philip Rice MA, ACMA, enclosing a comprehensive curriculum vitae, quoting ref. 330 at 39-41 Parker Street, London WC2B 5LH.

MP
Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol Birmingham Manchester Leeds Glasgow Brussels New York Paris Sydney
A member of the Addison Page PLC group

FINANCIAL CONTROLLER

FELIXSTOWE **£ NEGOTIABLE**

Antrak is a rapidly expanding export services group. Our shipping agency company (whose head office is in Felixstowe) reqires a qualified accountant, prefcrably with computer and shipping experience, to take full charge of the company's financial and management accounting supported by a team of 5 staff and reporting to the Group Financial Director in London.

Please write in confidence with full C.V. to:

Mrs H. Davies, Personnel Administrator
Antrak Group, Millard House
Cutler Street, London E1 7DU

FINANCIAL DIRECTOR

Circa £30,000

Our client is a £100 million turnover subsidiary company of a British group engaged in high technology engineering. The company is performing well, has a strong order book and business prospects are good. The location is an attractive part of the South Midlands.

In addition to the management of the finance function, the Financial Director will undertake a broad business role, being fully involved in all aspects of the management of the business, including having the responsibility for the development of management information systems.

Candidates will be fully qualified, probably aged over 35 and are likely to be heading a finance function in an engineering company.

In addition to a salary of c.£30,000, there is a company car, which is fully expensed, a good pension scheme and payment of relocation costs.

Please write with full cv enclosing a covering note identifying companies to which your application should not be sent, quoting reference No. 1025 to:

Peter Jones
STRATTON MORGAN AND ASSOCIATES LIMITED
Selection Consultants, 7 Cavendish Square, London W1M 9HA

FINANCIAL DIRECTOR

Yorkshire/Humberside Region **c.£20,000 + Bonus + Fees + Car + Relocation Contribution**

This challenging appointment is with a £40m turnover chemical manufacturer/processor which is a long established market leader with an excellent record of profitability.

In addition to controlling the Company's finances, you will be appointed Company Secretary and will be closely involved in the development of long term corporate strategies. This is a "hands on" role requiring the total involvement and commitment of an individual with the potential eventually of deputising for the Managing Director to whom you report.

Candidates will be qualified accountants, probably aged 33 to 45, and now looking for a long term career move to a professionally run and successful company.

This is a key position appealing only to someone unafraid of hard work and capable of communicating and working with an informal but dedicated and talented management team. Please apply in the first instance to Alyn Pearce, LL.B. ACA, (Associate Director), Daniels Bates Partnership Ltd., Sheffield Office, Tel: (0742) 754015 quoting ref. 86S/596FT.

Daniels Bates Partnership
PROFESSIONAL RECRUITMENT

Daniels Bates Partnership Ltd., Josephs Well, Hanover Walk, Park Lane, Leeds LS3 1AB. Tel: (0532) 461671 (3 lines 24 hours).
Also at: Fountain Precinct, Leopold Street Wing, Sheffield S1 2GZ. Tel: (0742) 754015

Accountancy Appointments

Financial Music Box Controller

West End — **to £22,000 + car + bens**

Our client is Music Box Ltd, an exciting new venture owned by the Virgin Group, Granada TV and Yorkshire TV. The company is being set up in the music programme production sector, aiming at worldwide television markets.

In order to strengthen the overall management structure, the company is keen to recruit a Financial Controller to work closely with the Managing Director and head up and develop the organisation's finance and administration function. Specifically, you will be responsible for the production of management information, budgeting, planning and forecasting, annual accounts as well as ad hoc project work.

As a qualified accountant, aged 25-30, you should have already gained commercial experience and have knowledge of or a genuine interest in the music and/or television production business.

This is an exhilarating and entrepreneurial environment and you must be able to demonstrate an imaginative and creative approach as well as the ability to liaise at senior director level.

If you have the necessary ambition and determination our client requires, telephone Tim Forster on 01-831 2000 or write to him at Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH.

MP
Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol Birmingham Manchester Leeds Glasgow Brussels New York Paris Sydney
A member of the Addison Page PLC group

Group Accountant Corporate Finance

Salary, Neg. from £35,000 — **Age about 30**

Our client is an international capital equipment management and rental company with an impressive record of growth and profitability. It is active in acquisitions in the UK and overseas and is singularly 'entrepreneurial' in approach.

The salary indicates that we expect to recruit an exceptionally talented young man or woman who is:

* Able to work under pressure with flair and imagination.
* An excellent presenter of *fact to Brokers, Banks and the Press.*
* A highly competent organiser and operator of corporate finance and treasury services internationally.
* *Sufficiently experienced and realistic to profitably assess and manage acquisitions.*
* Able to grasp and if necessary manage information technology systems applied to finance.
* *Suitable material for a main board appointment in two or three years in a service, sales and marketing* driven enterprise.

Candidates must possess first-class academic and professional qualifications, and, have already established early board level or partnership prospects. Location is outer London, with the probability of extensive overseas travel. The salary and benefits package will be most generous with a broadly negotiable salary and stock options as a possibility. Please apply in writing and in complete confidence quoting reference LM63, to Terry Fuller, Spicer and Pegler Associates, Executive Selection, Friary Court, 65 Crutched Friars, London EC3N 2NP.

Spicer and Pegler Associates
Management Services

Director of Finance and Administration

RETAIL CHAIN — **NORTH WEST** — **c. £20,000 + CAR**

A well established, profitable, expanding retail chain with a turnover around £9m is creating this new appointment as a member of the compact top team. Board membership will follow a short successful period in the post.

The job carries full responsibility for all accounting, administration, and company secretarial functions, and also for managing and developing the existing sophisticated computer system, together with the warehouse and distribution facility.

Applicants, preferably graduates, must be qualified accountants with extensive management and administrative experience. Some of that experience should have been acquired in a retail environment. The ability to contribute to the overall management and development of the business as a member of the top team is vital.

The person appointed will be an efficient administrator who deals well with people, has good communication skills, is a forward thinker, a motivator, with commercial flair and a strong profit drive.

The age indicator is 28 to 40. There is a firm requirement to live within reasonable reach of the new head office in Warrington, and a preference for candidates who already do so.

Please send concise personal and career details, in confidence, quoting reference R132 to Dr. A. Brearley as adviser to the company.

Arthur Young Management Consultants, Commercial Union House, Albert Square, Manchester M2 6LP.

Arthur Young Executive Selection
A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Finance Manager

London — **c£21,000 + car**

A rapidly expanding entrepreneural international operation has an urgent need for a Finance Manager to get to grips with the basic systems.

Reporting to the dynamic Financial Director who needs to devote more time to strategy, the new man or woman will be required to up-grade the present computer system.

A qualified accountant who can manage staff as well as sort out "nitty gritty" problems is required. Hands on experience of computerised accounting systems and foreign exchange is essential. Success will lead to a more varied role.

Applications, which may be in confidence, should include full career details and a contact telephone number. Write to R. N. Orr quoting reference M2761 or telephone 01-439 6083 for a form.

Roland Orr & Partners
Management Consultants
12 New Burlington Street London W1X 1FF Telephone 01-439 6891

GZ

INTERNATIONAL BANKING
FINANCIAL CONTROL

Girozentrale Vienna is an Austrian bank, well-established in the City of London, and with further growth plans.

Following a promotion, the Bank now wishes to fill two posts in the Financial Control area where the emphasis will be on the study, improvement and further documentation of systems for the branch as a whole.

Suitable applicants are likely to be either recently qualified accountants with a strong auditing background or people experienced in banking, particularly in the accounting and operations areas.

Future prospects will include opportunities for the successful candidates to gain further experience in other areas of the branch and to establish an international audit function covering the activities of offices being opened in New York and Hong Kong.

These positions carry an attractive salary and the usual range of banking benefits. If you would like to find out more about the opportunities offered, please telephone for an application form, or write enclosing a C.V. to:-

Godfrey Barker, FCA
Financial Controller
Girozentrale Vienna
68 Cornhill
London EC3V 3QE
Tel: 01-929 2345

CITY GRADUATES

Leading securities firm urgently seeks numerate graduates and recently qualified accountants.
If you have some experience in the City—so much the better—in any event we should like to hear from you. All applicants will be interviewed and advised according to potential revealed at the interviews.

Please write, enclosing full curriculum vitae to Box A0220, Financial Times, 10 Cannon St, London EC4P 4BY

Assistant Controller & Chief Accountant

Central London — **to £25,000 + Benefits + Car**

Our client is a market leader in software systems for IBM mainframe installations. The Company is quoted in the U.S., but International HQ is in London.
International turnover has grown from \$6 million two years ago to \$16 million today, and IHQ manages the accounting for the 14 International subsidiaries.
There is now a need for a qualified, upwardly mobile accountant to strengthen the team in London to cope with the further planned expansion. The ideal candidate will be under 35 with multi-currency experience of international operations in a hi-tech environment using US accounting conventions. The successful candidate will certainly have the personal skills and ambition to work within a demanding but rewarding environment. He or she must also be committed to developing computer applications, as the information systems will require constant updating to accommodate the current and planned-for growth; systems are currently based on sophisticated networked PCs, but they are currently under review.
Candidates should contact Geoffrey Rutland ACA ATII, Executive Division, enclosing a comprehensive curriculum vitae, quoting reference 329, at the Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH.

MP
Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol Birmingham Manchester Leeds Glasgow Brussels New York Paris Sydney
A member of the Addison Page PLC group

GROUP ACCOUNTANT
WARWICKSHIRE
Competitive Salary

Elswick-Hopper Plc require a Group Accountant to be based at its Head Office in Alcester, Warwickshire.

The Group's main activities are in the manufacture and distribution of specialist engineering products, bicycles and agricultural equipment and the provision of services to agriculture.

Responsibilities, as a member of the small Corporate team, will include preparation and interpretation of regular management information, involvement in the development of accounting systems within the Group and ad hoc projects as required.

This key position offers a challenging opportunity for a good communicator during an exciting phase of the Group's development. The successful applicant will be a qualified accountant, probably a graduate, who is likely to have had post qualification experience with a leading professional firm of accountants and/or experience in a corporate office environment.

In addition to the competitive remuneration package on offer, further advancement within the Group is the likely reward for commitment.

Please write, enclosing your detailed CV, to:
R. P. Hill Esq., Group Financial Controller
Elswick-Hopper Plc
The Mill, King's Coughton,
Alcester, Warwickshire B49 5QG

ELSWICK-HOPPER PLC

Financial Controllers

East Anglia and Wiltshire — ***c.*£20,000 + car**

Our client is a fast expanding and highly successful quoted group of companies in the consumer *manufacturing* sector. Company turnover has doubled during the last three years. This rapid growth has prompted the creation of two new positions of financial controller in two medium sized divisions.

Candidates should ideally be aged 28 to 35 and should be qualified accountants with at least three years' experience in medium sized manufacturing companies. Previous experience of developing computer based costing and financial systems is highly desirable.

These positions require a 'shirtsleeves' approach to financial management while at the same time making a strong contribution to business planning and performance. Both roles require a dynamic approach to systems development. Therefore, in addition to practical accounting skills, candidates must have strong and confident personalities and be able to relate to staff at all levels of the business. Significant career opportunities can be expected to develop from these positions.

If you feel you meet these requirements, please write in confidence, enclosing a full curriculum vitae to Alan Coppock, Executive Selection Division, Peat, Marwick, Mitchell & Co., City Square House, 7 Wellington Street, Leeds LS1 4DW, quoting reference No. L/619.

PEAT MARWICK

Financial Accountant

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Wolseley is a highly successful organisation with a number of subsidiary companies in both the UK and USA. Significant growth over the past twelve months has created the need for a graduate Chartered Accountant to join our small but professional group financial team based at our Droitwich Head Office.

The keynote will be involvement. Your wide ranging and responsible role will involve – and requires experience and technical knowledge of – large consolidations and financial modelling.

Aged 28-35, with at least three years post qualifying experience, you will have trained with one of the larger international accounting practices. A lively and enquiring mind is essential.

An attractive remuneration package will be paid, including relocation costs. Moreover career prospects with Wolseley are excellent.

To apply please forward a full CV, including details of your present salary to: Mr. L.C. Bidmead, Group Personnel Adviser, Wolseley plc, PO Box 18, Vines Lane, Droitwich, Worcestershire WR9 8ND.

WOLSELEY

YOUNG ACCOUNTANTS

AGE 23 - 27 c.£15,000

Following expansion by acquisition, a major International Construction, Property Development and Mechanical Engineering Group wishes to recruit two recently qualified Chartered Accountants for key positions based at the Group Head Office in West London.

FINANCIAL ACCOUNTANT

Reporting to the Group Chief Accountant, the successful applicant will join a team of five professionals providing quality financial service to the Board. Responsibilities will include monthly management accounts, budgets, forecasts and involvement in the preparation of the Annual Group Accounts.

ASSISTANT TREASURER

Reporting to the Group Treasurer, the successful applicant will join a small team managing the corporate treasury function. The work is varied and will include cash and debt management, interest rate and foreign currency exposure management, corporate and project finance.

The group offers excellent prospects for the right candidates.

Please write in confidence enclosing career details and quoting reference to: Box A0222, Financial Times, 10 Cannon St, London EC4P 4BY

Accountancy Appointments

Company Accountant

Not less than £25,000 London

Our client is Foster Associates Ltd., the architectural practice well known for the recently completed Hongkong and Shanghai Bank and currently engaged in the redevelopment of Stansted Airport, in addition to a variety of prestigious domestic and overseas projects.

They seek a qualified accountant to take responsibility for all Company accounts and management information as well as project accounts for a variety of major assignments.

Candidates should be accustomed to working with professional colleagues in a project-based and client-oriented environment. Ability to innovate, as well as developing new computerised systems, is important together with responsibility for a small team in an informal atmosphere, where achievement of good personal and professional relationships is crucial.

Applicants, probably in their thirties, should write, with a full cv and daytime telephone number, quoting reference 1467, to:

BinderHamlyn MANAGEMENT CONSULTANTS
Trevor Aucin, Executive Selection Division,
Binder Hamlyn Management Consultants,
8 St. Bride Street, London EC4A 4DA.

SENIOR FINANCIAL ACCOUNTANT

City c.£23,000 + car

A major financial services firm is expanding and restructuring its financial control group in response to sustained substantial growth, increased management information requirements and anticipated further expansion.

The appointee will be a senior member of a small management team, responsible for the main accounting functions of the firm, assisting with the production of quarterly and annual accounts and providing advice and financial information to senior management.

Candidates, ideally in their early 30's, must be qualified accountants with a progressive management record in the financial control function of large, multidisciplined commercial/industrial businesses. The function effectively calls for a timely service to users on both regular and non-recurring work, demanding staff management skills and the ability to make a significant personal contribution. Career progression prospects are attractive.

Please write in confidence, enclosing career details and quoting reference 247/L. All C.V.'s will be forwarded directly to our client who will conduct the interviews. *Please list separately any companies to whom you do not wish your details to be sent.*

Burrows Hayman Associates Limited,
39 Charing Cross Road, London WC2H 0AW.

FINANCIAL DIRECTOR DESIGNATE CELLULAR RADIO

£ negotiable + Car N.W. Surrey

A world leader in a high growth sector of Telecommunications, TECHNOPHONE is experiencing very rapid expansion with annual turnover expected to reach £70 million in the next financial year. It is the Company's intention to seek a full listing within the next 2-3 years and we therefore require to appoint a Financial Director.

Reporting to the Managing Director, your influence as part of a small, highly motivated management team will be far-reaching, with the emphasis on business and profit planning. As there will be a considerable increase in the Company's activities over the next few years, you will be closely involved with developing the supporting financial strategies.

Probably in your early forties, you must be a Chartered Accountant, preferably with a related degree. You will have also gained substantial experience in a similar position with the finance function of a large, marketing - led, manufacturing organisation, ideally operating within an area of high technology. It is also essential that you have experience of financial and commercial negotiations at a high level and of developing and expanding new systems within financial management.

Please write in strictest confidence, enclosing your CV to:

M.S. Blackman
Personnel Manager
Technophone Limited
Technology House
48-54 Goldsworth Road
Woking
Surrey GU21 1LE. Tel: 04862 26521.

Financial Controller

£ Neg + Car – NW London

With a £multi-million turnover, SERVICEPOINT is one of the country's leading electronic service/repair companies and, as part of the highly successful Ladbroke Group is poised for continued expansion in 1986.

We are now seeking an Executive to play a key role in that growth. Reporting to the M.D. and based at our Head Office NW9, you will be responsible for the control of all accounting policies and routines and exercise your decision making skills at senior management level. You will also be heavily involved in the development of effective stock control and computerised accounting systems.

Ideally you will be aged 27–35, ACA or ACMA qualified with strong management and accounting skills and an ability to develop your career to board level. Service/retail experience would be highly advantageous.

In line with the importance of this role, an attractive package including a company car is offered.

Please write with full career details to – Michelle Schroeder, Personnel Manager, Servicepoint Ltd, Hardman House, The Hyde, London NW9 6JJ.

SERVICEPOINT

A division of the Ladbroke Group

COMMERCIAL MANAGER

Berkshire c.£20,000 + Car

An opportunity for a bright young Accountant with commercial flair.

Part of a substantial International Group, our client supplies a wide range of automotive parts and accessories to wholesalers and retailers throughout the UK. The company is currently engaged in a major investment programme and aims to achieve significant growth over the next few years.

As a member of the senior management team, the Commercial Manager will provide a key strategic input into the development of the company's corporate plans. Reporting to the Chief Executive, responsibilities will include the continued development of computerised financial control systems, investment appraisal, the preparation of annual budgets and business plans, the production of annual and monthly accounts and the analysis and presentation of management information. The position is also responsible for credit control and sales administration and for the supervision of the company's packaging and distribution functions.

Candidates, ideally aged 28-35, should be qualified Accountants with experience of computerised accounting systems – preferably gained at management level in an FMCG environment. Previous involvement in the development of and overall commercial control of a business in a highly competitive market is essential.

In addition to a competitive basic salary, the company offers a range of benefits including a company car, non-contributory pension scheme, free medical insurance and assistance with relocation expenses if required. Career prospects within this Group are excellent.

Please send a detailed cv, in confidence, quoting Ref: FT/7/86 and listing separately any companies to whom you do not wish your application forwarded, to:
JPW Recruitment Advertising Ltd., Chancery House, 53/64 Chancery Lane, London WC2A 1QX.

JPW
Recruitment Advertising

Group Financial Controller

Due to the promotion of the existing Group Financial Controller, an expanding Public Limited Company based in the Herts/Essex borders requires a replacement.

Candidates will be qualified accountants, preferred age 25-30, currently employed in professional practice, with experience of consolidations and corporate taxation.

The salary is negotiable up to £20,000 for a candidate with suitable background and experience, with company car, pension scheme and private health insurance.

Please write enclosing CV to: Box A0199, Financial Times 10 Cannon Street London EC4P 4BY

Qualified Accountants

Salary c£17,000

The English Tourist Board is the statutory organisation responsible for the marketing and promotion of tourism in England.

The Board, which is funded partly from government grant-in-aid and partly from commercial activities has an annual income of £20 million with 155 employees based in modern offices at Hammersmith. The Board maintains close links with the 12 independent Regional Tourist Boards which are supported by funds from the ETB.

We are seeking two qualified accountants to report to the Chief Accountant. The emphasis of one post will be dealing with Regional accounting matters and the other dealing with management accounts at head office.

Applicants should possess a recognised accounting qualification, good verbal and written communication skills and the ability to deal effectively at all levels of management.

As the Finance function is computer dependent, using DEC VAX equipment, previous computer experience is essential. Experience in local government could be relevant in connection with the Regional Accounting post.

Please write with full CV to: Christine Addison, Head of Personnel and Administration, English Tourist Board, Thames Tower, Black's Road, Hammersmith, London W6 9EL.

English Tourist Board

A rare opportunity for a qualified Financial Manager with the personal qualities to play a full board level role in this young, successful and fast growing company with medium term plans which include flotation.

FINANCIAL DIRECTOR DESIGNATE

Salary c.£25,000, Equity Potential, First Rate Benefits – Hants.

Founded in 1983, our client is already a respected and firmly established UK software company producing and marketing a range of packages which are acknowledged leaders in the fastest growing sectors of the computer market place. In only their third year of trading profitability has exceeded £500,000 while the company's unique market advantages and dedicated professional staff ensure continued expansion of market opportunities in this country and internationally.

The Directors already run a "tight ship" financially but see the appointment of a Financial Director designate as adding a vital element in the company's plans for future growth. Applicants, who must have a professional accountancy qualification, should have the stature and personal qualities to operate effectively within a strong management team and be prepared to provide the dedication necessary to achieve continued success in a dynamic environment.

Applicants should write or telephone, in complete confidence, to Terry Toms or Brian Kemp at Executive Network, or weekends and evenings, Terry Toms on 0483 223337, Brian Kemp on 01 657 2734.

EXECUTIVE NETWORK
(CONSULTANTS) LIMITED
19, BEDFORD ROW, LONDON WC1R 4EB
01 831 8202/9458

The Institute of Chartered Accountants in England and Wales

Two opportunities for young Chartered Accountants within the Technical Directorate

London c.£18,000–£22,000

Responsibilities principally on *technical projects for the Insolvency* Practitioners Committee and for tax committees. This will involve a wide variety of issues including guidance to members licensed under the Insolvency Act 1985 and responses to Government on tax and insolvency matters.

Principal responsibility will be to *support the Technical Advisory* Committee, involving the co-ordination of the views of the Institute around the country on current technical issues and the advising of policy on these views. He/she will also be expected to take part in other aspects of the Directorate's work.

Successful applicants will require good organising ability, be able to communicate effectively, both orally and in writing, and be able to secure and retain the confidence of contacts at a high level. The experience gained will provide excellent experience for career development, including future opportunities within the Technical Directorate.

Write or telephone for further information and an application form, or forward a full C.V. to Michael Hoyle.

The Institute of Chartered Accountants in England & Wales

Chartac Recruitment Services
Institute of Chartered Accountants in England and Wales
PO Box 433, Moorgate Place, London EC2P 2BJ
Telephone 01-628 7060

CHARTAC

Financial Controller

Director Designate

Nr Staines, Surrey c. £20K, Car, Benefits

Our client is one of the UK's leading importers of hi-tech machinery with an excellent record of growth and profitability over 30 years. The company employs around 80 people and has a turnover of £10m.

They now seek a commercially mature Financial Controller, to strengthen the management team and contribute to the decision making process on a broad front. Reporting to the MD, he/she, aged 38-40, will be an FCA, preferably with a degree and have experience in taxation, budgets, etc in a small to medium size company. Experience of Company Secretary duties and personnel recruitment would be advantageous as would exposure to marketing activities. A high degree of initiative and commercial acumen as well as the ability to communicate at all levels is very important.

Write or telephone for an application form or send detailed C.V. to:
A J A Saw (ref FC614),
Dick Degenhart & Partners Ltd,
Management Search and Selection,
Swan Centre, Fishers Lane, Chiswick,
London W4 1RX. Tel: 01-995 1331

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Write Box F6654 Financial Times 10 Cannon Street London EC4P 4BY

YOUNG DYNAMIC ACCOUNTANT

£15,000 p.a.

Expanding Geological Service Company, active in both oil and mineral industry, based in West London, require an Accountant to report directly to the Managing Director.

Applicant will be fully responsible for providing financial information encompassing presentation of Management Accounts to the Board, liaising with Departmental Managers to improve divisional profitability.

The position is seen as an ideal first move away from the profession for an ambitious, newly qualified ACA or finalist interested in developing their career with this organisation, which hopes to seek a stock market listing within 3-4 years.

Please reply with full CV to:
Box A0190, Financial Times, 10 Cannon Street, London EC4P 4BY

Company Notices

ENERGY INTERNATIONAL N.V.
(Incorporated with limited liability in the Netherlands Antilles)

Shareholders in the Fund are advised that payment of a dividend of US$2.00 per share for the year ended 31st March, 1986, was approved by the Annual General Meeting held on 21st July, 1986.

Coupon number 17 on bearer share certificates will be paid on presentation at the offices of the Paying Agents on and after 24th July, 1986. Cheques will be posted to holders of registered shares on that date.

Copies of the Report of the Fund for the year ended 31st March, 1986 will be available at the offices of the Paying Agents and brokers from whom shares were purchased and at the offices of the Paying Agents.

By order of the Board of Management
Curacao, 24th July, 1986.

Société Nationale des Chemins de Fer Belges (S.N.C.B.)

Nationale Maatschappij der Belgische Spoorwegen (N.M.B.S.)

US$ 75,000,000 Floating Rate Notes due 1991

guaranteed by
The Kingdom of Belgium

(of which US$ 50,000,000 is being issued as an Initial Tranche)

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from July 23, 1986 to October 23, 1986 the Notes will carry interest rate of 6⅝% p.a.

The interest payable on the relevant interest payment date, October 23, 1986 against coupon n° 3 will be US$ 1,677.08 per Note of US$ 100,000 nominal and US$ 4,192.71 per note of US$ 250,000 nominal.

The Agent Bank

KREDIETBANK
S.A. LUXEMBOURGEOISE

European Ferries Group Plc
(CDRs)

adc

The undersigned announces that as from **1st August 1986** at Kas-Associatie N.V., Spuistraat 172, Amsterdam, **dividend coupon No. 2 of the CDRs European Ferries Group Plc, representing 100 5% Redeemable Non-Cumulative Preference shares of £1,** will be payable with Dfls. 18.45 (re dividend for the period 1st July 1985 to 30th June 1986, 5% per share).

Tax credit = £2,042 = Dfls. 7.42 per CDR.

Non-residents of the United Kingdom can only claim this tax credit when the relevant tax treaty meets this facility.

AMSTERDAM DEPOSITARY COMPANY N.V.
Amsterdam, 17th July 1986

Legal Notices

INVESTIGATION BY THE MONOPOLIES AND MERGERS COMMISSION PROPOSED MERGER BETWEEN FERRUZZI FINANZIARIA AND S. & W. BERISFORD PLC

The Secretary of Trade and Industry has referred to the Monopolies and Mergers Commission for investigation and report under the provisions of the Fair Trading Act 1973 the proposed merger between Ferruzzi Finanziaria and S. & W. Berisford PLC. The Commission are to report by 18 November 1986.

Any person or organisation wishing to give information or views on the proposed merger or requiring a copy of the full terms of reference should write as soon as possible to:

The Secretary
Monopolies and Mergers Commission
New Court
48 Carey Street
London WC2A 2JT

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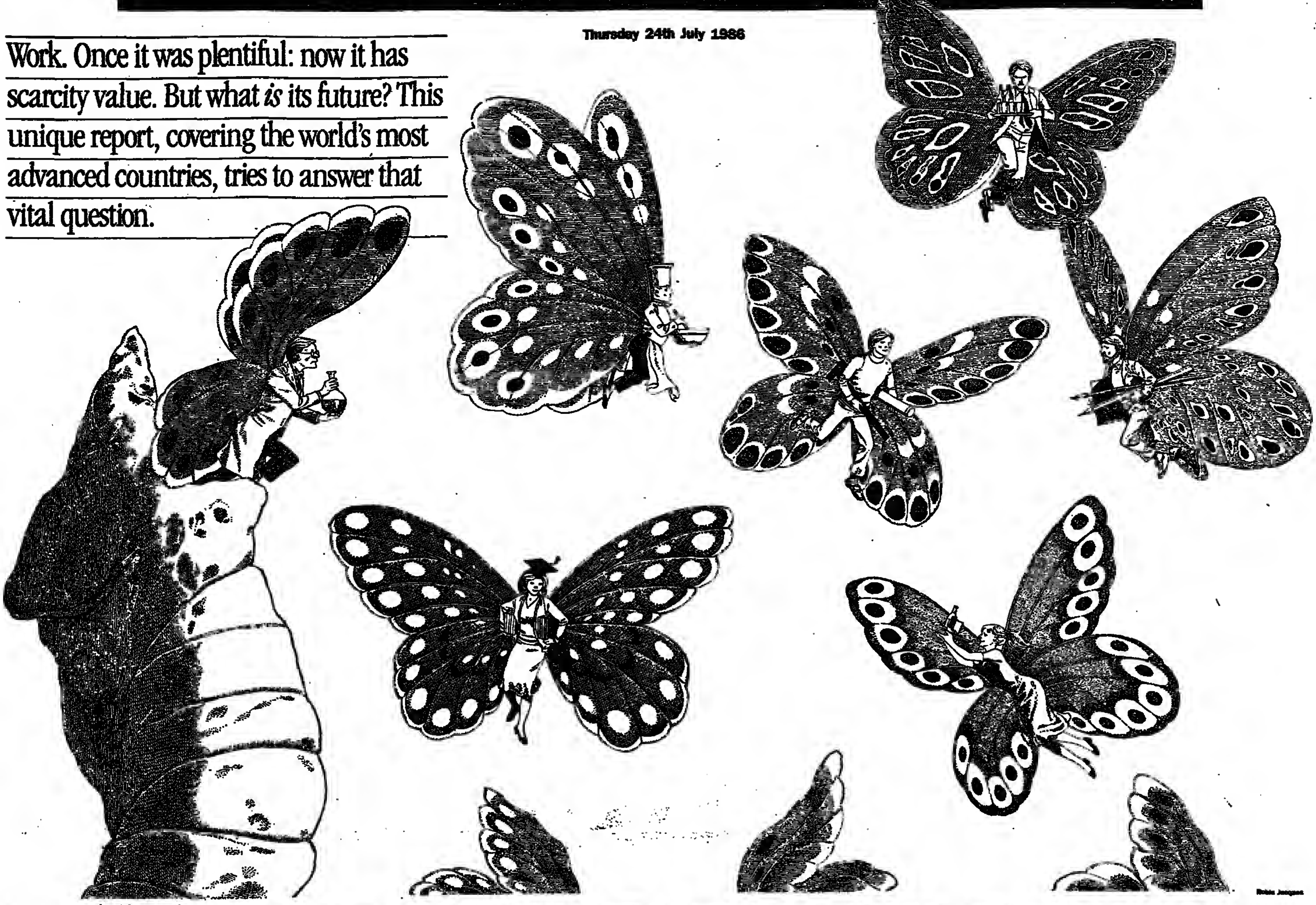
FINANCIAL TIMES SPECIAL REPORT

Thursday 24th July 1986

Work. Once it was plentiful: now it has scarcity value. But what *is* its future? This unique report, covering the world's most advanced countries, tries to answer that vital question.



Robin Jacques

WORK

THE WAY AHEAD

A CLUTCH of questions now look for answers.

Will I, or my children find/retain a job? Will automated machinery do our work for us? Will we be liberated, or condemned, by leisure? Are big corporations creating a new business feudalism (tough on those outside the walls)? Are we creating a new class of never—or only-occasionally-workers? Are we bidding goodbye to the working class? Will trade unions survive, and in what shape if they do? Can different ethnic groups compete peacefully in the labour market? Can we make enough people smart enough to cope with the rate of change? Will company workers become company owners, and will it make them work harder? Can governments do anything about unemployment? Will women get real equality in the workplace? Can fewer workers support more pensioners? What has unemployment done for socialism? How black is our economy? Are small businesses the only hope for jobs?

These questions, intersecting and overlapping, circle round debates and policy formation on work: below them nags the doubt that it *has* no future in the way most people now living understand it—as at once a source of a livelihood and of self-definition, giving both a sense of purpose and a sense of worth.

When it was plentiful—and in the advanced economies, that has been continually since the last war until the late 1970s—it was not much regarded as a commodity, as a thing in itself: now it possesses scarcity value, and is the battleground for domestic politics.

What follows is an attempt to answer some of these questions: or often, to provide the parameters within which the questions—where they can be—are answered. It is unique for the Financial Times to report an issue at such length, taking more than three months and covering the six biggest market economies—the US, Japan, West Germany, France, the UK and Italy: it has been undertaken because of the subject's importance, and because the paper's resources make it possible.

Confining the report to these countries is arbitrary: it leaves out the socialist economies, the newly industrialising countries, the Third World countries—as well as the smaller, but important advanced countries such as Canada, Spain, Scandinavia and Australasia, and the smaller west and central European states. In the last of these, the same trends which are evident and common in the six we include will run: *as they will*, in some form, in the socialist countries and the NICs. As for the Third World countries, much of their work is subsistence agriculture or urban surviving: their problems, much more urgent in absolute and human terms than those of the adva nced world, are nevertheless, outside our scope because of their very vastness.

But the arbitrariness is diminished by this consideration. The ways in which *work is changing in the countries we* have studied will inevitably set the standard for the ways in which a living is made everywhere else, sooner or later. The standard will not always be met, and for political-social reasons, sometimes good ones, they will often be deliberately ignored. But in the long term, they will prevail: that much at least seems certain.

In each of the countries on which we have focused, we have enjoyed a great deal of co-operation from companies we had earlier identified as covering a spread of industries and sectors. In the US, IBM, the world's dominant information technology company, and Ford, the most multi-national of all car companies; in Japan, Hitachi, the electricals conglomerate; in West Germany, Thyssen, the great steel and (increasingly) engineering group; in France, the champagne/drinks/perfume house of Moet Hennessy; in the UK, the second largest bank, Barclays, and the part-British, part-Dutch oil and chemicals company Shell; in Italy, the constellation of little companies known as the Abruzzi which are forging new co-operative links and seeking out export business in a way everyone thought was reserved for the *big players*, and *Fiat*, Europe's biggest car company. In every case, these companies made available large amounts of executive time; in many, they talked over plans and projects and forecasts in a way they had not before, outside their own circles. A great deal of what we have learned would not have been possible without their co-operation, though of course the interpretation we put upon it is our own.

We have also talked, in each country to politicians, to union leaders and members, to government officials and planners, to independent policy analysts and academics. From these, as from the companies, we discovered that on every side the issue of work and its future is the subject of inquiry, study, debate and forecast. In all cases, too, the pervasive feeling that what was changing was not just the circumstance of an individual company, or sector, or even of a national economy—but that, more hroadly, the post-war status quo was itself under fundamental challenge.

That status quo was composed, in most advanced countries, of a belief, in and policies for, full employment: e "social partnership" relationship of some kind between state, capital end labour. There was a certain hierarchy in working relationships: a working life in which education and training came first, work second then retirement third—and that the first prepared the citizen of the second and the second paid for the third as well as for the unemployed and the needy. There were and are large differences: in the US, for example, the "social partnership"—such as it was—scarcely outlived the 1960s; in Japan and the US, the welfare function of the state was always less ambitious than in West European countries.

Today only in Japan can employment be defined as "full"—and that is as much due to employers' and trade unionists' agreement that full employment is an important part of whet companies are abont as to government policy. Only in Jepan and West Germany of the six major states does the social partnership concept still flourish—and in the second of these, some of its supporters fear for its future. In all advanced industrial sectors, the settled order is being dynamised; it is possihle to find the unemployed being trained to become employers and managers being *trained* to serve the unemployed. Being trained, what it more, is their late 50s: for now, education, training and work are being welded into e continuum, where the changing imperatives of technology and the market, or as often the interaction of each on the other, demand continuous re-programming of tha human as well as the capital stock.

The status quo was, of course, never *static*. Economic, technical and political change have themselves been part of the order of things in these advanced states for at least e century (Jepan) or even two centuries (Britain): the post-war period *did not freeze* that—*indeed*, the *pace* quickened. But the war's immensity, involving as principal players the six countries we report, produced something epproaching an agreed framework for reguleting both the external relstions of states and their internal sociel equilihrium. The "new order of work" by disrupting these internal balances, most of all by holding out the threat—a promiso to some—of the irreversible decline of the trade union movement, forcing thereby e re-evaluation in left politics, will serve increasingly to disintegrate e structure which was, per*force*, marked with the hierarchies and assumptions of the times that gave it hirth.

The main actors in the dramas of the future of work are unquestionahly the largest companies—and they are decreasingly inhihited ebont declaring *themselves to be so. It is their products*, their market strategies, their research and development projects, their relationships with small companies, their leverage on governments, their growing influence and competence in social matters, their tremendously sophisticated "human relations" policies—in short, their sheer efficiency and shility to control and plan which gives them this status.

It is not, for example, that IBM's revenues surpass those of many of the world's economies which is momentous; after all, many of the world's economies are desperately poor. *The real* moment is IBM's ebility to understand trends and then to intervene in their development in order to create, not just new products, but new releationships between people and their work, between people and people, from which the company will take edvantage.

It is not, on the other hand, ramarkahle that Moet Hennessy should find it relatively easy to sell e product—champagne—for which it is easy to acquire a thirst. The interest now is in the blend, not just of the grapes which is a century-old formula, but of the techniques and expertises of chemists, agricultural scientists, hiotechnicians, market planners, publicity whizzes and advertising talents which is *really* the labour on which e company now depends. From the most advanced to the most traditional, every product internationally marketed is now *being routinely subjected* to the application of automated intelligence and of greatly enhanced management skill. For many workers, especially the un-semi- or the single-skilled, this meeas no work et *all. But elsewhere, these* developments conjure into existence e plethora of skills and professions sometimes still described as "not real work," but which on the contrary are often the only providers of any kind of it at all.

The power of the hig corporations is not untrammelled. Companies in all countries grumhle ebout, and/or seek fevour with and influence over governments, whose policies have tremendous importance to their plans and strategies. In all the countries we report— though to e decreasing amount in the US, the UK, France and Italy—employers have to keep one eye *at least* on the effect of these strategies on organised labour. But more and more, the companies' concerns are other companies; the hig corporations know that their environment is an international one, thet the standards set by one in production technology reseach and personnel management are instantly epplicehle to all. One of the most remarked features of contemporary industrial life is the way in which the Japanese manage labour. Japan's mixture of quasi-military discipline (especially among the management, or officer class) and egalitarianism is eing copied *world-wide and edapted to industrial* and cultural systems which have long prided themselves on being unique in "their" way of doing things.

Many of managements concerns are reflected in e poll specially commissioned for this raport, and conducted in the major advanced countries by the Gallup organisation. The findings of the FT Jobs Poll are presented in sections throughont the report.

What follows fleshes out many of the issues dealt with in the poll. While it cannot offer final answers to questions which are often inherantly unanswerehie, it at least seeks to operete as close to the borders of the answerahle as is possible.

How we manage work, how we manage to find work, how we manage to find work interesting and how we manage to find people interested in and capable of working heve become the central matters of our times in e way they have not been before. The present changes we describe are putting an end to that: the future will not restore a golden age, both because one never existed and becanse the best guess for the future can only be that change will continue.

Written by ***John Lloyd*** *and* ***Charles Leadbeater***
with additional reporting by David Thomas
and contributions from David Marsh (Paris), Peter Bruce (Bonn),
Jurek Martin and Carla Rapoport (Tokyo),
Alan Friedman (Milan) and Philip Bassett in London.
Inside are articles by Samuel Brittan (p. 10) Ralf Dahrendorf (p. 18)
Richard Layard (p. 10) George Perry (p. 15) and Martin Weitzman (p. 15).
Graphics by Richard Draper; portraits by Bill Sanderson.

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1

ECONOMICS

Old levers lose their power

ONCE UPON a time, Western Europe enjoyed something called the post-war consensus. At its core were broad economic principles that Governments should and could intervene in the economy to ensure full employment.

In the 1970s monetarist economics, poor economic performance and rising unemployment, combined to shatter that consensus.

But from the rubble of the old consensus could a new one be built to give economic policy a settled place in a strategy to bring down unemployment?

A clear line still runs between those who think Governments can boost demand to create jobs, and those who think it cannot.

But the interesting thing today is that the forces of attraction are growing.

Keynesians have had to face up to the successes of the past few years—particularly the decline in inflation and the consolidation of public finances. But monetarists also have to face the challenge of unemployment—the political and economic attractions of more active demand management to cut the dole queues.

And on at least two major issues there is emerging agreement.

The first is that macro-economic policy can only play a limited role. There is a widespread acceptance that to credibility policy has to bow to the magnitude of the unemployment problem.

Moreover, few Keynesians would now claim that demand management alone can drive the economy forward. There is greater emphasis on improving the supply side efficiency of the economy.

The second major area of agreement is that both blades of the scissors will have to be used if unemployment is to be reduced.

Debates over Government borrowing and spending in the future may be over "how much," rather than whether deficit financing should be used.

Similarly there is growing agreement that keeping pay under control is crucial to bringing down unemployment.

"Wage growth may pick up despite post-war record unemployment, because should high unemployment persist, the unskilled minorities, youth and other weak social groups will bear virtually all the social costs without much effect on the wage bargaining of core experienced workers," the OECD warns in its latest Employment Outlook.

Competitive pressure from the unemployed seeking work may well not be enough to restrain pay. In the future more direct, and perhaps novel ways of containing pay pressure may have to be pursued if the 31m unemployed throughout the OECD are to have a good chance of returning to secure employment.

Old confidence

The old confidence that Governments could solve the problem of unemployment has gone, perhaps for good.

We no longer live in a world where well-oiled levers of economic policy can be pulled with certain consequences. A Government commitment to maintain full employment, once the cornerstone of policy in the UK and elsewhere, would now seem incredible.

For most of the post-war era economists and policy makers bathed in a consensus that Governments could borrow more to finance extra spending, with the aim of stabilising the economy at full employment.

In the 1970s this approach to policy came under consistent attack on several fronts. The intellectual revolution was led by the American economist and polemicist for the free market Milton Friedman.

He predicted that Government attempts to maintain full employment through demand management would end in failure.

"The post-war commitment to higher employment has led to higher unemployment. The way to foster productive employment is to end the counter-productive policies that Government has pursued in the name of full employment."

Far from being a golden era, monetarists believe the post-war period and active demand management contained the seeds of its own destruction.

"It was not events but ideas that propelled us towards the increasing inflation rate," said Harvard Professor Martin Feldstein. "The upward drift in inflation was the result of a fundamental set of beliefs about the economy and macroeconomic policy that were shared by economists and policy officials."

By the late 1970s many Conservative politicians seemed persuaded that if demand was restrained this would disturb the economy only temporarily.

The UK Treasury Budget document of 1980 for instance warned that: "The process of reducing inflation almost inevitably entails some losses of output in the long term. The size and duration of these initial effects however will depend in large measure on how quickly behaviour, particularly pay bargaining takes account of new monetary conditions."

In the same year a UK monetarist, D.E.W. Laidler, put the case more directly: "It should be acknowledged explicitly that the adoption of gradual monetary restraint does rest on the belief that high employment is neither the only, nor always the most important target for macro-policy."

But the erosion of confidence in the foundations of post-war economic policy was not just an intellectual movement.

Most major economies performed poorly in the 1970s. This combination of poor macroeconomic performance, and intellectual revolution changed perceptions of the role that Government demand management could and should play in economic policy.

In the past seven years, the focus of Government policy in Europe has shifted from the short run fine-tuning to the medium-term stability; from demand management to the way Government borrowing and spending affects the supply side efficiency of the economy.

This change in the overall thrust of policy in most OECD countries has had a dramatic impact on output and employment in the short run.

The best measure of the stance of fiscal policy is not the raw, nominal deficit, but the so-called real structural deficit. This takes into account the effects of inflation on the value of the debt and the way that the deficit automatically rises in a downturn because of higher transfer payments, and lower tax revenues.

As the accompanying table shows in the OECD as a whole there has been a tightening of the fiscal stance of about 0.4 per cent of OECD GDP.

In most of the big seven OECD countries, however, fiscal policy has been much tighter. Since 1978 there has been a tightening of policy in Japan (by 3.2 per cent of GDP), Germany (3.7 per cent), France (1.9 per cent), the United Kingdom (3.9 per cent) and Canada (1.4 per cent).

On current government strategies the medium-term outlook for all these countries is for continuing restraint.

But the trend towards fiscal restraint has not been universal. The major exception has been the US, which in 1982 moved into a significant structural deficit.

In 1981 the US structural budget was in surplus, equivalent to 1.4 per cent of GDP in 1981. But in the following three years US fiscal policy eased substantially, by 2.8 per cent of GDP. By 1984 it was running a structural deficit equivalent to 1.4 per cent.

The new approach to budgetary policy widespread in Europe since the late seventies has had significant success in reducing inflation.

In the four major European economies inflation fell from 12.8 per cent at the start of the decade to 6.2 per cent four years later.

"Average OECD Inflation has been declining for five years, the longest period of disinflation in the post war period," says OECD's chief economist David Henderson."

But the redirection of budgetary policy has also run into major obstacles.

New Classical and monetarist economists predicted that tighter demand would only lead to a temporary rise in unemployment, while wages adjusted. That adjustment has taken much longer than expected; and the associated employment losses have been greater and more permanent.

The monetary and fiscal restrictions that most Governments introduced had a deflationary impact on OECD economies. The move to fiscal and monetary tightness, especially evident in 1980-81 was associated with recession, stagnant investment and the rise in unemployment.

In a nutshell the initial restraint intended to bring down deficits had a deflationary impact in the short run which was much more severe then anticipated.

But few of the full longer run gains that a policy of budgetary restraint promised, through lower interest rates and taxation, have yet to appear.

In the four major European economies the tax burden rose by 3.5 per cent of GDP between 1979 and 1983, to stand at 45.1 per cent.

Long and short-term real interest rates are also higher in these economies, than they were in the past four years of the 1970s. Rates in Japan and US have followed a similar path.

Indeed two OECD analysts, Jean Chouraqui, and Robert Price, concluded a recent survey of medium-term budget strategies with this warning: "Attempts to cut deficits, in conjunction with restrictive monetary targets, contain the danger that lower demand and sustained high interest rates will deter investment and risk locking the OECD economies into a slow growth trap."

Growth in the OECD economies is in line with past rates of growth. The problem is that actual output is still below its full employment level.

If this gap is to be closed within the next few years a period of growth above trend is required. The question for demand management policy is: can an expansionary policy achieve this boost to growth or impart there sound economic reasons for continuing restraint?

The prospects

The major industrialised economies, particularly in Europe, are in the state of structural schizophrenia.

Output growth is set to continue at close to trend levels of between 2 and 3 per cent for the next two years. Inflation is down and almost out in Japan and Germany; low and stable elsewhere.

Interest rates are falling in the wake of lower oil prices. Investment and profits have recovered. And according to the OECD there are signs of greater wage flexibility outside the UK.

A picture of robust good health.

But not for the 1.3m Britons who have been unemployed for more than a year. Or the 227,000 who were made redundant in the fourth year of recovery. Or for the 60 per cent of Italian youth who are jobless. These people could understandably believe the recession has never ended.

Unemployment on this scale surely means that European economies are malfunctioning badly.

A gloomy enough picture, but what would happen if the "sustainable recovery" evaporated? It would be foolhardy to assume that the business cycle has been eliminated.

A downswing would add to unemployment. Now 31m people are unemployed throughout the OECD; 19m in Europe. Unemployment rising from this base would push these economies into uncharted territory.

So what are the prospects for continued recovery?

The collapse in oil prices is likely to leave OECD inflation 3 per cent lower by 1989. If fiscal and monetary policy does not tighten in response, then real disposable income, profits and wealth will rise, and output should be 1 per cent higher than it would otherwise have been.

The Bank of England predicts the extra growth in the UK will cut unemployment by around a quarter of a million in 1988. The IMF forecasts European unemployment at 11.25 per cent in 1987, falling to 10 per cent in 1991.

But as the current IMF World Economic Outlook notes "the future path of oil prices is particularly difficult to forecast." Simulations by analysts at Goldmann Sachs show that an oil price closer to $25 per barrel could eliminate most of the inflation and output gains of the recent fall.

The path of inflation will be crucial to the prospects of continued recovery.

According to an OECD analysis of the last four upswings, most have come to an end because higher inflation prompted Governments into deflationary policies.

Drawing together the influence of lower real commodity prices, non-expansionary monetary policy, and outside the UK an unusual moderation in wage bargaining, the OECD suggests the current recovery will continue to enjoy lower and more stable inflation than its predecessors.

But there are medium-term risks to this forecast.

Commodity prices may be going through a cyclical trough as they did in the 1950s and 1960s. If lower prices lead to a contraction of supply, upward pressure on commodity prices and inflation could re-emerge in the late 1980s.

"Wage growth may pick up despite, post-war record unemployment," says the OECD review, "because should high unemployment persist, the unskilled, minorities, youth and other weak social groups will bear virtually all of its social cost without much effect on the wage bargaining of core experienced workers."

But the other cloud hanging over this recovery, which has not plagued previous recovery is its lopsidedness.

There is a long-standing tendency for the US to play a leading role in OECD recoveries, but with the rest not far behind. However, in the first two years of this recovery the OECD calculates that the US was responsible for 70 per cent of the growth in final demand, compared with around 40 per cent in previous upturns.

This has produced the twin US deficits: the federal budget deficit of $210bn in 1985 and the current account shortfall of $118bn. It is clear that left unattended the growth of these deficits would threaten the stability of the world economy. But any deficit reduction programme would have complex effects on the US and world economy.

The key question for international macro-economic policy is whether and how Europe and Japan should respond to the redirection of US budget policy.

James Baker, the US Treasury Secretary, has made it clear that the imbalances in the world economy associated with the twin US deficits cannot be corrected by Washington alone.

Mr Baker is keen that countries with low inflation, and consolidated public finances should take the lead *from* the US. His main priority is to close the growth gap between the US and the other industrialised countries.

As yet Germany and Japan, the targets of Mr Baker's remarks have shown little willingness to relax fiscal policy to boost demand and output.

The Japanese Government, however, may pump extra demand into the economy this autumn, by relaxing fiscal policy by around 3-4 trillion yen. This should add about 1 per cent to growth.

"It is difficult seeing this having an enormous immediate impact on the US trade deficit," says David Morrison, Goldman Sachs' Chief International Economist.

"The traditional Japanese method of pushing in extra spending is public works programmes which have a low import content. And even with higher Japanese domestic demand it's not clear that American manufacturers make the kind of goods that the Japanese want to buy."

This Japanese pragmatism contrasts with German determination not to give in to international pressure. The West German economy should perform well in the coming year, growing faster than the US, so the German authorities see little reason for adding more demand.

The developed world may be enjoying a sustainable low inflation recovery which will last into the next decade. Optimism may be warranted. But the last recovery ended with savagery. Between 1980 and 1982 European unemployment rose by 50 per cent.

If this recovery ended in 1990 with the same rise in unemployment, by 1992 Europe could be facing around 27m people on the dole.

Government's role

Are Governments responsible for the steep rise in OECD unemployment since the first oil shock?

The case for the prosecution, assembled by trade unionists, opposition parties and disenfranchised economists is clear. Economic policy has been directed away from full employment toward defeating inflation. To this end, Government squeezed demand out of the economy, output fell on a sharp recession, and people were thrown out of work.

The evidence for the defence is that the problem lies not with Governments but in labour markets: *in trade unions*, unnecessary regulations, geographical immobility. The 1984 UK White Paper on Employment made the Thatcher Government view clear: "The weak link in our economy is the labour market. The one thing clearly not responsible for unemployment is lack of demand."

Boringly, the truth lies somewhere between these two extreme views. Demand management undoubtedly does matter. A sustained, deep cut in demand can push even the most robust economy into *rising* unemployment.

But the more thoroughly labour markets respond to a fall in demand, the more likely it is that unemployment will be transitory.

Several international studies have attempted to capture the role fiscal and monetary policy has played in pushing up unemployment along with "supply side" factors which affect pay.

Most of these studies find that depressed demand has played a dominant role, in the late 1970s. But supply side rigidities, play an equally important role, in explaining the cumulative rise in unemployment since 1973.

"Wages played an important role mainly in the mid-1970s, but its relative importance for most countries diminished during the period 1978-82," says Professor Michael Bruno of Jerusalem's Hebrew University.

"But in this last period most of the incremental rise in unemployment can be attributed to shifts in aggregate demand."

Though certainly not a full-blooded Keynesian, Prof Bruno found that between 1978 and 1982 demand was three times more important than the pay in forcing up unemployment.

Prof Bruno's conclusions are confirmed by another piece of new research covering 18 OECD economies, produced by London's Centre for Labour Economics.

"Our estimates confirm that both demand and the level of real wage effect employment. The decline in demand, relative to potential seems to have been *an important cause of the rise* in unemployment especially in the European Community. But it is clear that supply side factors played an important role. It seems over the period it is six of one and half a dozen of the other," the report concludes.

The most detailed analysis of the rise in UK unemployment completed by Professor Richard Layard and Professor Stephen Nickell, finds that between the mid-1950s and early 1970s, increased union power, more generous social security benefits and higher employment taxes were the most important factors behind the rise in unemployment. Government demand management played only a negligible role.

In the 1970s they find that the rise in real import prices, particularly the first oil shock, and union power were the strongest factors.

In the final period between the end of the 1970s and 1983 they find that demand is overwhelmingly the strongest force. Between 1980 and 1983 the male unemployment rate almost doubled to 15.8 per cent. Prof Layard and Nickell calculate that 84 per cent of this increase was due to a contraction in demand.

These findings are confirmed by research from Germany, France, Spain and Italy, according to the papers from a recent conference on "The International Rise in Unemployment (Economica: May 1986)

However, the link between demand contraction and higher unemployment is not universal. In particular, unemployment in Japan rose from 2.2 per cent to 2.5 per cent between 1980 and 1984. But over that period the Government's budgetary stance contracted by 2 per cent of GDP.

"The key to Japan's low unemployment is the way that firms and the labour supply adjust to downturns," says University of Tokyo labour economists Kiochi Hamada.

When product demand is slacker firms may cut output but will not cut employment by anything like as much. Moreover labour supply swiftly contracts as many women stop looking for work.

So it's clear that while budgetary contraction was the main force pushing up unemployment in the 1980s, its impact was partly determined by how quickly labour markets adjusted to the change.

Whatever the reason for labour market adjustment, it is clear that a combination of budgetary contraction and a labour market that is slow to adjust is the worst of both worlds.

Reflation

The days when generalised reflation was accepted as an answer to unemployment are gone. Those who argue for an expansion of demand face very different political and economic obstacles from their counterparts of 15 years ago.

Paradoxically, pessimism over the unemployment problem has been reinforced by the current recovery in output. *Despite respectable rates of* growth over the past three years, unemployment is high in most, and still rising in some European countries. Surely to press the growth pedal any harder would risk overheating the engine?

In the past, Keynesian policy has been aimed at fine tuning the economy, not at removing mass unemployment. The internationalisation of capital markets, and imbalances in the world economy, constrain a single country's freedom of manoeuvre.

Political parties and economists who advocate expansionary policies have started to adapt to the new political-economy of the 1980s.

As a first step in the UK, for instance, both opposition parties have backed away from commitments to restore full employment within the course of a single five-year Parliament.

"The electorate just did not believe that we could do what we set out in the election of 1983," says a UK Labour Party senior economic adviser. "The aim of restoring full employment within a Parliament just was not credible to the voters."

The Social Democrat-Liberal Alliance envisage a policy which would cut unemployment by 750,000 after three years, financed by extra borrowing of £3.5bn. This would still leave the UK with more than 2m unemployed.

It is above all the public's fear of resurgent inflation, that a "reflationist" has to address.

If the Government expanded demand inflation could creep up for one, or all, of three reasons.

First, part of the expansion may be financed by an expansion of the money supply.

Many accept the need to keep a check on domestic monetary conditions.

"Most Keynesians would agree on the need for a broad nominal target, like money GDP as a guide to policy," says Gavyn Davies, Chief UK Economist at Goldman Sachs, and economic adviser to the last British Labour Prime Minister. "The need for attention to monetary growth is widely accepted. It's the detail which is disputed."

"New Keynesians" would now admit that a medium-term financial plan, which sets out future Government policy does help to establish a resolve not to accommodate inflation.

A second source of inflation in a period of expansion would come through the exchange rate.

In a typical European country anything up to 40 per cent of extra demand created by the Government could go on imports. A growing deficit on the current account of the balance of payments, would force down the exchange rate. Foreign goods would become more expensive. Higher prices in the high street would then be reflected in subsequent wage bargaining.

A key element of any reflationary package then must be a mechanism to avoid the inflationary consequences of a falling exchange rate.

The idea of exchange controls has not entirely disappeared. The UK Labour Party, last year unveiled a proposed tax on investments abroad to encourage institutions to repatriate their funds.

But, in a recent lecture to the UK's Employment Institute, the American economist Prof Rudiger Dornbusch, advocated what has now become a widely favoured remedy.

"The way that monetary and fiscal policy are combined, would be as important as the aggregate expansion of demand. The key feature must be to make out an exchange rate collapse," says Prof Dornbusch.

Prof Dornbusch argues that if a European Government stimulated demand, by cutting taxes, it should simultaneously tighten monetary policy. This would push up interest rates, and attract international capital flows. This inflow of capital would help to maintain the value of the currency.

Exchange rate *management*, however, would require careful handling. A higher exchange rate would be good for inflation because it would make imports cheaper relative to domestic goods. This would lead to greater import penetration, and threaten employment in sectors of the economy open to international competition.

This is exactly what has happened in the US. The dollar's strength was the major force behind the fall in US inflation. But it came with the cost of greater import penetration.

The American trade deficit, of $118bn in 1985, is fuelling protectionism, and the administration's attempts to engineer a smooth decline in the dollar to ease competitive pressure on the US traded goods sector.

The destabilising economic and political affects of exchange rate management have grown enormously in the US even though it is a relatively closed economy. In European economies the pressure would build up much more rapidly.

A third source of inflationary pressure would be the labour market. As an expansion got underway shortages of skilled workers might develop, and in response employers would bid up wages to attract skilled labour.

In the long term this kind of bottleneck could only be overcome through training. But in the short term Keynesians now argue that reflation should be targetted at high unemployment groups and regions, where the labour market is very slack, and away from areas where the labour market is already tight.

"In an expansion money should not be spent across the board so that employers are trying to take on as many computer programmers as machinists," says Professor Richard Layard. "It is machinists who are unemployed, and if firms can be encouraged to employ the less skilled and the unemployed there will be less upward pressure on wages."

In a forthcoming book, Professor Layard, advocates a new scheme to provide the long-term unemployed with a guaranteed job for a year. This would be reinforced by a restructuring of employers' social security contributions to encourage the recruitment of unskilled workers, and a regional employment subsidy for disadvantaged areas.

New ideas for reforming wage bargaining through tax based income policies, profit sharing, or new forms of arbitration have been proposed along with more traditional remedies like a form of social contract between Government and unions.

But despite these new ideas, the key problem remains: how do you make it stick?

So Keynesian-inclined policy-makers are under pressure to find an alternative to the free market approach of many current Governments, and the periodic incomes policies of the past.

But even with a workable incomes policy there would still be constraints which could limit the effectiveness of a demand expansion. Even if most of the extra spending were not dissipated on higher prices, or more imports, there would still be the possibility that it could be "crowded out" by higher interest rates.

A final constraint on expansion arises not from economic theory, but from the international setting of policy. Highly integrated goods and capital markets makes a policy of "reflation in one country" highly risky.

If a single European country decided to reflate it would bear all the risks of higher inflation, and interest rates, but a large part of the extra demand would go to foreign goods, end jobs. So a single country has little incentive to risk reflation alone. But *winning agreement* for a concerted international expansion would be political torture.

But even on the most optimistic outlook a demand expansion would still leave a major unemployment problem.

A more active approach to demand management may play an important role in future attempts to reduce unemployment. But there is no doubt that it cannot return us to full employment.

Industrialists warn of unit labour costs rising ahead of international competitors'; Government economists in the UK have focused on the level of the "real wage"; Keynesians argue for measures to restrain the growth of money wages.

In recent years as Governments have rejected active demand management as a tool to stabilise employment, policy makers and politicians have turned their attention to wages, as the villain of the piece in the labour market.

"Whenever a market does not clear, economists look for an influence that is hindering price adjustments. The prime market that is not clearing at the macro level is the labour market, and wage rigidity becomes the natural suspect," says Daniel Mitchell, Professor of Industrial Relations at California University.

Yet as the essays in a forthcoming book "Wage Rigidity and Unemployment" make clear, there is no unified theory of what causes wage rigidity, or even which wages should be the focus of policy.

There are a range of candidates. For instance if money wages in one country are higher than those of competitors, and rising at a faster rate, this will lead to a loss of competitiveness. If there is no offsetting adjustment of the exchange rate, foreign demand will fall and unemployment will rise.

This kind of wage problem particularly afflicts open economies like the UK where persistent wage pressure has been blamed for poor international performance.

For instance in the period 1971-83 hourly earnings in UK manufacturing were below the average of the seven major economies in only three years. In the UK the average rate of annual increase across the period was 14 per cent whereas in the US it was 7.7 per cent.

At the core of this argument is the claim that unemployment is the product of a real wage which is too high to make it profitable for firms to produce. Even if there were more demand firms would still not make enough profit to make it worth their while to expand output.

So unemployed workers have to price themselves into jobs by offering to work at wages which will allow firms to make higher profits.

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Changes in British unemployment rate (male) 1956/83 — % (Figures in brackets give rank order)

Explained by	1955/66-1967/74	1967/74-1975/79	1975/79-1980/83
Employers taxes	0.25 (4)	0.38 (4)	0.44 (4)
Benefit replacement ratio	0.54 (3)	−0.09 (6)	−0.1 (6)
Union power	1.18 (1)	1.17 (2)	0.80 (2)
Real import prices	0.58 (2)	1.47 (1)	−0.93 (5)
Mismatch of working vacancies	0.16 (5)	0.20 (5)	0.49 (3)
Demand	0.12 (6)	0.54 (3)	6.56 (1)
Income policy	—	−0.36 (7)	0.49 (3)
Total	1.67	3.31	7.75
Actual change	1.82	3.01	7.00

General government budget balances: % of GDP/GNP

	US	Japan	Germany	France	UK	Italy	Canada
1970	−1.1	1.9	0.2	0.9	3.0	−5.0	0.9
1978	0.2	−5.5	−2.5	−1.9	−4.2	−3.1	−1.8
1980	−1.2	−4.5	−3.1	0.2	−3.5	−2.5	−2.0
1982	−3.8	−3.4	−3.5	2.6	−2.1	−5.3	−5.8
1984	−3.1	−2.3	−1.4	−3.5	−2.8	−5.3	−5.7

Inflation adjusted structural budget balances

	US	Japan	Germany	France	UK	Italy	Canada
1970	−1.2	0.7	−2.0	0.0	5.1	−5.3	−0.9
1978	0.5	−5.1	−2.9	−2.1	−2.1	−2.7	−4.0
1980	1.1	−3.3	−3.2	0.7	4.0	3.3	−2.6
1982	−0.4	−2.7	−1.6	−0.7	4.5	−2.2	−1.8
1984	−1.4	−1.3	0.8	−0.2	1.8	−2.6	−2.6

Breakdown of change in unemployment: 1956/66 to 1980/82 % points

	Supply	Demand	Total	Actual
Australia	4.97	−0.28	4.69	4.98
Austria	—	0.09	0.09	0.57
Canada	1.36	4.59	5.95	4.56
France	3.69	2.39	6.08	5.98
Germany	3.68	−0.03	3.65	4.02
Japan	0.59	0.06	0.65	0.63
Sweden	1.35	−0.49	0.85	1.04
UK	4.26	5.33	9.60	8.33
US	1.49	0.48	1.97	3.35
Switzerland	0.18	0.29	0.48	0.41

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But even on the most optimistic outlook a demand expansion would still leave a major unemployment problem.

A more active approach to demand management may play an important role in future attempts to reduce unemployment. But there is no doubt that it cannot return us to full employment.

Industrialists warn of unit labour costs rising ahead of international competitors'; Government economists in the UK have focussed on the level of the "real wages" Keynesians argue for measures to restrain the growth of money wages.

Each gives a crucial role to "the wage" in determining the level of unemployment in an economy. Yet each contains a different view of the wage-unemployment relationship.

In recent years as Governments have rejected active demand management as a tool to stabilise employment, policy makers and politicians have turned their attention to wages, as the villain of the piece in the labour market.

At the core of this argument is the claim that unemployment is the product of a real wage which is too high to make it profitable for firms to produce. Even if there were more demand firms would still not make enough profit to make it worth their while to expand output.

So unemployed workers have to price themselves into jobs by offering to work at wages which *will allow* firms to make higher profits.

This kind of argument has won support from economists at the European Commission, tha OECD, and national traasuries, but its most articulate proponents are two economists Michael Bruno and Jeffrey Sachs.

In a book (The Economics of Worldwide Stagflation; Harvard University Press) drawing together work from the late 1970s and early 1980s, Bruno and Sachs outline a primarily supply side explanation of unemployment backed by an impressive array of international data.

They concentrate on the relationship between labour costs and the valne of the output a worker produces: the share of a firm's revenue taken by wages rather than profits. One of the main sources of unemployment, they argue, is the "wage" gap between actual labour costs, and the hypothetical costs which would be needed to produce full employment.

In the early 1970s workers' pay persistently rose faster than the value of the output that they produced. After the first oil shock labour costs did not decelerate to make way for the hike in raw material prices.

Between 1969 and 1975 labour's share of value added in the manufacturing sector rose by 9.2 per cent to 80.2 per cent in tha UK; by 8.3 per cent to 74.1 per cent in France, and by 7.9 per cent to 60.5 per cent in Germany.

The major exception from this trend was the US, where labour's share rose by only 0.6 per cent to stand at 71.6 per cent in mid-decade.

Labour costs did decelerate into the 1980s hnt so did prodnctivity growth, as a consequence of the low investment induced by declining profitability.

Not only did this lead to lower employment in the short run, but it also put tha economies into a tail-spin.

Lower productivity meant that labour costs had to be even lower to restore anywhere near full employment.

"Demand management could no longer restore non inflationary full employment, since firms were not willing to hire the full employment workforce at prevailing factor prices," say Bruno and Sachs.

"Second the high factor prices reduced the profitability of capital, and thereby played an important role in the slowdown of capital accumulation and productivity growth in the 1970 and 1980s.

"Many of the major economies entered a low profit, low growth trap in which wage levels contributed to slow productivity growth, which in turn reinforced the excess of wages market clearing levels."

Bruno and Sachs' work has had a powerful impact on policymakers. Though immensely sophisticated its intuitive appeal stems from something very simple: the way that wage pressure can erode the profit incentive.

However, in the last few years the "wage gap" approach has met increasing scepticism.

As Professor John Sargent points out in a Bank of England paper on the real wage debate, wage pressure on profit margins can be offset by lower costs for other inputs. He calculates that in the 1980s the real product wage rose by 3.4 per cent per annum, but the costs of capital were also consistently reduced. This eased pressure on profits but also provoked higher investment and productivity in line with wage increases.

Prof Sargent argues that the rise in labour's share of the proceeds in the 1970s may have been as much due to rise in the costs of capital as it was a consequence of independent wage pressure.

A second problem is the choice of a "full employment" starting period. Evidence for both the US and the UK shows that even at timas of full employment the wage share was rising. According to leading Brookings Institution economist George Perry: "The rising labour share of the 1970s looks quite like a continuation of a trend established in the full employment years of tha 1950s and 1960s."

Moreover, it is not clear that the wage gap alone accounts for the rise in unemployment aven in the 1970s (as Bruno and Sachs recognise).

For instance, between 1961 and 1979 labour's share of manufacturing value added rose by 10.2 per cent in Japan, and by 9.8 per cent in the UK. And yet Japan has the best unemployment record among the major economies.

But, according to some economists, there is a much more fundamental prohlem with the wage gap approach. "Thare is a growing feeling that the statement 'real wages are too high' is poorly defined. It is not clear what this means independent of what is happening to demand," says Martin Weitzman of MIT.

The key point which has forced this reassessment is that the *real* wage is not set in the labour market. Firms and workers bargain over the money wage. But each will be motivated by a target of what *increase* they can afford *in real* terms.

Profitability is only squeezed when firms cannot accommodate higher wages with higher prices. So for wage pressure to cut profitability there has to be some "cap" on firms' ability to up their price.

In some sectors, competitive pressures ensure a limit to price rises. A price rise above the prevailing level will drive e firm out of business.

But in most markets in the UK prices are not set by strict market forces. "Over the greater part of private sector production the system is one of administered prices. In some way or other firms reach e point of view ebout the scale of profit which is 'satisfactory' and thereafter seek a price whose relation to normal costs yields this profit," says Sir Bryan Hopkin, an academic adviser to the Bank of England.

So what stops firms with a degree of discretion over their prices just passing on higher wages to the consumer? If firms did this across the economy there would be a constant "battle of mark-ups" between workers and firms. Firms would respond to higher than expected wages by putting up prices. This would fuel inflation which in turn would provoke workers to hargain for higher wages.

"What eventually should put a stop to this contest is the Government stepping in to 'referee' it," says Professor Richard Layard. "They would dampen demand, forcing firms to cut back on output and employment. The higher unemployment should force wage hargainers back into line."

Indeed, unemployment would still rise even if Governments did not act to cut demand but just kept money demand on some stable path. If price inflation rose in response to wage pressure, then more of the extra demand would be dissipated on higher prices and less would be left over for output and jobs.

"The real wage outcome is really e secondary matter," says Oxford economist Stephen Nickell. "The key thing is that money wage pressure will lead to higher prices and lower real demand."

This reassessment of the wage problem carries important consequences for policy. Pressure from trade unions may be one source of e wage problem. But this will be compounded if there are a large number of near monopoly firms in the economy. Lack of competitive pressure on these firms means they will have a leeway to pass wage pressure on in price rises.

Some economists see the signs of an emerging consensus round the wage issue after years of bitter argument. There may be a movement away from seeing unemployment as either Classical (due to a real wage which is too high) or Keynesian (due to a lack of demand), and toward a single position which encapsulates both demand and the wage.

"The real issue is whether an economy has got the right money wage-money demand mix," says Robert Solow, Professor of Economics at MIT. "Money wages might be too high given the level of money demand in the economy. But it is also possible that money demand may be too low given money wage levels. It is really a single equation and you can choose which side to put emphasis on.

"So relief can be sought by either route. But by far the most effective way to cut unemployment is to act on both together," says Stephen Nickell.

His calculations on the UK Treasury model show that a demand boost accompanied by 2 per cent lower wage pressure would be three and a half times more affective in cutting unemployment than a reduction in wage pressure alone.

"The important point arising from the Treasury calculations," says Prof Nickell, "is that to reduce unemployment without increasing inflation we need a reduction in the pressure for nominal wage rises allied to a Government induced increase in real demand. The fundamental question is how is a reduction in wage pressure to be engineered?"

The wages problem

When unemployment is high and labour in excess supply what stops the price of labour falling, like the price of tomatoes, to ensure supply and demand are in harmony?

"The reason why wages are not fully adjusting to restore hopes of a fall in unemployment, is the key question we are trying to answer at the moment," says a senior economist at the UK Department of Employment.

Mrs Thatcher's former economic adviser Professor Alan Walters, also admits that the obstinacy of wage setting in the face of high unemployment is a "mystery."

The source of this confusion is straightforward classical economic theory which says that unemployment should be self correcting.

Simply unemployed workers should be interested in any job which pays some margin above the social security benefits they receive. Employers have an incentive to accept these low wage offers because they should make a higher profit. And wage cutting should also dampen wage pressure.

A review of UK economic work by London School of Economics labour economist Andrew Oswald confirms that there is a link between unemployment and wage inflation.

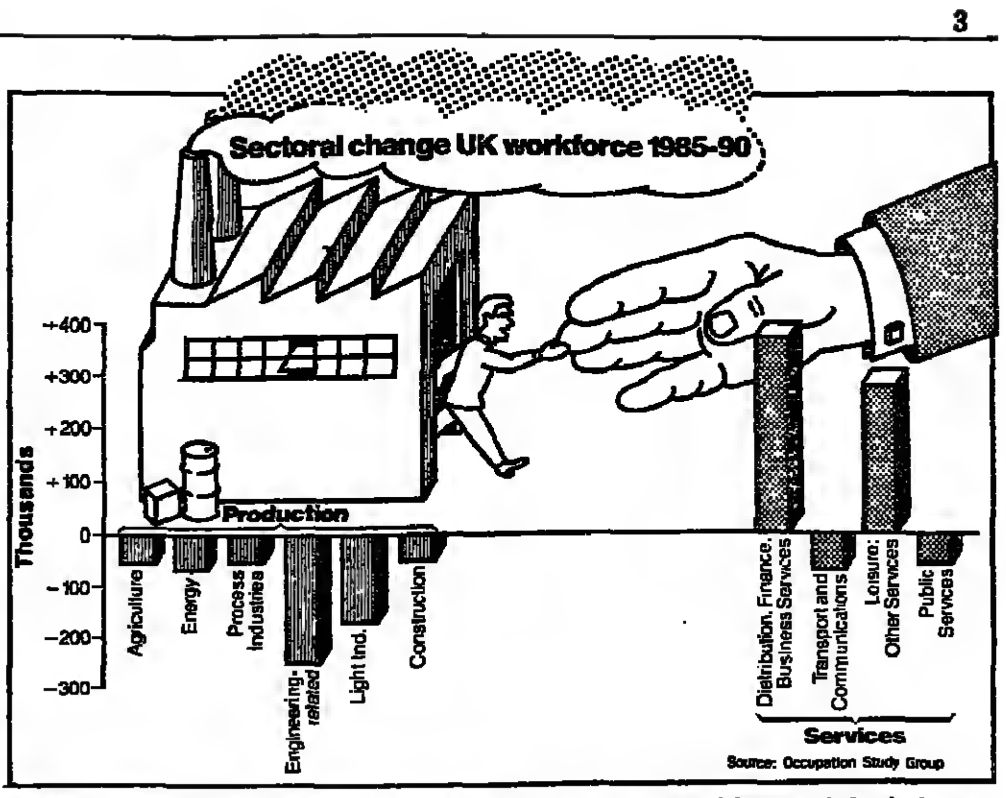
In a multi-country study OECD economist David Coe found that a one per cent increase in unemployment slowed wage inflation by less than 0.65 per cent in most of the major OECD economies.

His index of how much real wages respond to unemployment shows that "Japan stands out as the country where wage inflation responds strongly to the unemployment rate." Japanese real wages have a rigidity rating of 0.3, compared with 3 in France and 6 in the UK.

According to Oswald: "It is now widely accepted that old fashioned competitive theories of the labour market are inadequate. The stereotype of the economist who thinks of the market for labour as much like the market for tomatoes should be gone forever."

In similar vein, Coe warns that the link between the level of unemployment, competitive labour market pressure, and wage inflation may be breaking down.

Continued on Page 23



The FT jobs poll

OUR special Gallup poll examined severa macro-economic factors which will influence employment, from the rols of demand expansion and labour costs in colouring firms' employment plans, to the prospects for profit sharing.

Which factors will have most impact on employment in the future?

Overall, the factors which will have most influence on firms' employment decisions will be profitability, mentioned by 74 per cent, the state of domestic demand 69 per cent, and domestic competition 62 per cent. Labour costs and technological innovation were mentioned by 58 per cent.

Changes to employment legislation, mentioned by 37 per cent of firms, export prformence 36 per cent, and import penetration 28 per cent, were the least importnat factors overall.

But in each country particular factors plays a strong role. Employment in British firms will be particularly affected by export performance and import penetration. Overseas demand ranks as the fourth most important factor influencing employment in Britain, whereas it ranks ninth in the sample as a whole. Import penetration is of well below average importance elsewhere, but of average importance in the UK. Changes to Government employment legislation would have little influence on employment, it ranks 13th in importance with 17 per cent. The industrial relations climate will have the least influence, on employment with only 16 per cent of firms reporting this is a factor.

In West Germany the character of labour supply is much more important than in other countries. The availability of skilled labour will affect 79 per cent of firms, and ranks second most important in Germany compared to 11th in Britain and America. Labour costs are a factor for 77 per cent of German employers compared with 58 per cent overall and 33 per cent in Britain.

French employers give new technology a very important role in influencing employment. Three-quarters mentioned new technology as a factor compared with 38 per cent in Britain, and 31 per cent in Japan. Industrial relations is the most important factor influencing future employment in Japan, with 65 per cent of employers reporting this as a factor influencing their future employment plans. Industrial relations is the 11th most important factor in France and West Germany, and 14th in Britain.

Employment in the US will be particularly affected by the availability of capital. Three-quarters of US employers say this will affect employment, compared with a cross-country average of 47 per cent, and a low of 6 per cent in Japan.

Which measures will be most effective in generating jobs?

Only 13 per cent of firms say that nothing would induce them to expandemployment. A tax concession to encourage the companies to hire new workers is the most popular measure overall with 40 per cent of firms saying this would lead them to take on workers. This is particularly important in France where 54 per cent of employers would take on more workers, twice the number who would respond to a demand expansion. Only 34 per cent of British employers say they would participate in such a scheme.

Demand expansion is the second most important measure, but it is particularly important in UK where 48 per cent of firms say this would induce them to expand employment.

A quarter of firms say that relaxation of laws on part-time working would expand employment (46 per cent in France), whilst only 7 per cent say that abolition of minimum wage legislation would expand employment.

Incomes policy would be particularly effective in West Germany with 48 per cent saying this would expand employment compared to an average of 20 per cent across all countries. Fifty-nine per cent of British employers say they would support an incomes policy, but only 9 per cent say they think it would boost employment.

What are the most important factors determining pay?

Despite record numbers of people out of work, unemployment is the least importnat factor affecting pay. Only 15 per cent of firms said that the level of unemployment woud influence pay settlements within their firms in the next few years. Only 20 per cent of British employers report it as a factor.

The most important influences are profitability 77 per cent; payments to be compensated by future productivity gains 55 per cent (most important in France and Germany); inflation 54 per cent, and the availability of skilled labour 50 per cent

This last factor is the most important influence in West Germany where it will affect 77 per cent of firms.

British employers were also asked why pay there is running ahead of competitors'. A majority blamed weakness in management (52 per cent); 41 per cent said it was a result of the need to attract skilled labour, and 31 per cent said it was because of a rise in profits.

Will there be a growth in profit-sharing and will this boost employment?

Overall, 44 per cent of firms offer their employee some kind of profit-sharing, in the form of an occasional bonus, preferential treatment in buying shares, or as part of a pay packet which goes up and down with profits.

Broadly defined profit-sharing is most common in France (58 per cent of firms) and the UK (53 per cent), and least common in Germany (27 per cent).

Only 14 per cent of firms expect to expand or introduce profit-sharing, though 43 per cent of British firms said they would be interested in profit-sharing if the Government offered them a £5 perworker, per week tax concession.

However, only 6 per cent of firms running profit-sharing schemes said that they did so to expand employment, and 26 per cent to make labour costs more flexible. Firms mainly use profit-sharing to icrease the motivation of their workers, mentioned by 77 per cent, and improve productivity (53 per cent).

Though profit-sharing is generally not aimed at increasing employment through making labour costs more flexible, the poll does reveal a clear link between profit-sharing and job growth.

Overall, the poll shows there will be net job growth in 20 per cent of firms. But there will be net job growth of 30 per cent among profit-sharing firms, whereas firms without profit-sharing will have below-average growth.

"In the 1930s, those who wanted work had a sense that they only had to wait before their labour would be required again. When they talk of those years, they evoke the idle machinery, the eerie silence over shipyard and pithead. Unemployment assailed their sense of worth, assailed their sense of worth, assailed their dignity, denied them and those they loved adequate food and comfort. But it didn't rob them of the skills themselves. Now, on the other hand, there is a terminal sense of the extinction of work itself."

JEREMY SEABROOK, POLITICAL QUARTERLY, JANUARY 1981

2

UNEMPLOYMENT

A terminal sense of the extinction of work itself

THERE IS that sense, indeed. It comes from the desolate areas of Europe and the US: the old mining valleys of South Wales, the steel towns of Lorraine and Pennsylvania, the immigrant quarters of the Ruhr, the slums of Naples and Palermo.

There is no question it is real. Seabrook, a British sociologist who has specialised in bringing the issue to our attention through vividly descriptive writing, quotes an unemployed man in his 40s as saying: "If you've got no work, everything seems to mock you. It might be me, but you feel it. The television, the adverts, everything. The papers are full of the lives of millionaires, the shops are full of the things you can't afford. It makes you feel humiliated . . . it destroys your self respect." Who doubts the authenticity of that?

In a survey taken in Lorraine and the north of France in September and October 1985, Elisabeth Bascand and Bernard Simonin found that of the unemployed families surveyed, 12 per cent had no income in the month preceding the survey, and 45 per cent had less than FFr 1500 (£140). In Duisburg, on the Ruhr, Hans Gert Woelke, on the board of the Thyssen steel and engineering empire, is told by a group of local clergy that some of the long-term unemployed in his town get up early and come home late to give their children the impression they are at work. Unemployment, for most, is not leisure but poverty and misery.

Unemployment probably will not get much worse in the advanced countries in the next few years, and in some will probably get better for demographic reasons at least (see below). The OECD (see table) does not think unemployment will get much better or worse in the main advanced countries over the next couple of years—edging up in the US, Japan and France, edging down in the UK and Germany, static in Italy.

Last month, the Occupation Study Group (OSG) British research group brought into being by a forward-looking industrialist, Sir Austin Bide, president of Glaxo, produced the best guide to employment trends seen for some time: best because it asked *companies* to disclose their employment plans for five years ahead, rather than relying on macro-level extrapolations. Though it was confined to the UK, and is thus rooted in one of the weakest of the advanced economies, it carries fairly clear indications for all the others.

The study found that the aggregate effect of the company and sector level changes it had described was a statistical insignificance that the employed workforce was likely to decline by some 125,000 from 23.7m to 23.58m between 1985 and 1990—but that these figures could be out by plus or minus 300,000, and so employment could actually rise by 175,000 in that period. In short, it broadly agrees with the OECD: there will be no large changes in the volume of unemployment in the immediate future. The danger is not, then (as far as we can tell) that we get many more unemployed—but that many of those who have been rendered unemployed by the huge upheavals of the past decade will remain in the burgeoning ranks of the long-term unemployed, or slip in and out of casual, low paid demoralising jobs for all of their lives.

But the report also shows very large shifts *within* the employed workforce. Self employment in the UK is likely to increase by some 300,000: and private sector services (includig self employment) to increase by around 540,000. But production industries will lose some 600,000 workers—many of them reappearing again in the service sector, as previously inhouse jobs are sub-contracted. Largely because of that shift, part-timers will rise from 21 to 25 per cent of the labour force, and small companies will increase their workforce share by 700,000 jobs.

The chart shows where the growth comes: in distribution, finance and business services, leisure and tourism, hotels and restaurants: everything from the big Mac to the big bang. The kind of people needed will be engineers (especially electronic), scientists, technologists, accounts, data processors, marketig staff, multi-skilled craftsmen, waiters. Not needed: labourers, single skilled craftsmen, many kinds of manager, clerical staff.

No need to labour the point: it is happening everywhere, and it is just a matter of how quickly and how smoothly. It is not that manufacturing will become unimportant, just that it will become progressively un-manned. Geoff Robinson, IBM UK's technical director and futurologist, likes to speculate about factories being built just to accommodate machines, in which no one will have to go (while conceding the periodic visit from the maintenance worker): he says: "until the end of the 18th century the economy was agricultural and most employment was on the land: now its 2 per cent, and it produces much more food. In the 19th and much of the 20th century it was manufacturing. Now it is and will be services, and manufacturing will continue to get more and more productive—but the economy will be service driven."

Japan, the top manufacturing nation, agrees. The Prime Minister's office has done some crystal-ball gazing, and forecasts the same trend though still builds in improvements in employment in some manufacturing sectors, as "electric machines" and "precision machines"—indications of a confidence that it will still rule these worlds at least. The US Bureau of Labor Statistics, in its look-ahead, saw (by 1990) 360,000 more waiters, 400,000 more fast-food workers, 433,000 nurses, 479,000 sales clerks, 501,000 more janitors and 700,000 more secretaries (despite their bosses learning keyboard skills, or perhaps because of it). It also saw 247,000 fewer farm operators, 237,000 less farm labourers, 176,000 fewer secondary teachers, 52,000 less university teachers, 12,000 fewer compositors and typesetters and 8,000 less clergy.

Two worrying trends likely to continue in at least some countries: long-term unemployment (12 months or more), down in the US and Japan (where is never reached high levels) is still going up in West Germany, Italy and the UK: it has stopped rising in France, but still represents some 40 per cent of the total. Says the OECD: "Lack of work motivation and decay of human capital, damage re-employment prospects and lead to a growing segmentation between employed persons with stable jobs and job-seekers who may be becoming progressively less employable."

Second cause of concern: the jobless young. The numbers are very high in Italy (34 per cent) France (25 per cent) and the UK (22 per cent, though currently declining): overall, throughout the OECD area, the rate is a high 16.5 per cent. That is unlikely to change much—but it is getting worse in France and Italy, better in Germany and the UK.

All of this is well known: indeed, massive unemployment figures, the testimony of the unemployed themselves, the forecasts of a continuing crisis—are now so ingrained into the flow of daily events that they have lost their capacity to surprise, certainly to shock. Especially in those states where it has been with us longest—as the UK and Italy, Ireland and Belgium—unemployment has been so absorbed by the culture as to become all but invisible.

This invisibility may have something to do with the present and much-remarked upon apathy of the unemployed—and the lack of revolutionary potential they have displayed. Where 1930s unemployment fuelled mass movements of the revolutionary Left and the Fascist Right, the contemporary response appears more alienated, individualised; sad but not scary. Seabrook again: "It certainly isn't the thirties all over again . . . what the disciplines of destitution and hunger could not achieve may be brought about far more effectively through a destroyed sense of purpose and function masquerading as increased leisure. The only imaginable working class response to that would be the kind of violence we have seen in the United States, and to a lesser extent among the young here—"mindless" violence, racial conflict and looting—an anger detached from any conscious political objective . . . it is a measure of the growing political impotence of the working class."

But will it last? Though it is already clear that unemployment is no more product of a cyclical downswing, it is not clear whether or not it is with us over a long haul. Governments in all the main states continue to predict its demise when their policies have "had to work through:" they continue to lack proof that they will.

The future levels of unemployment depend on so many variables—Government policies on labour markets, public spending, trade; the rate of diffusion of new technologies, the growth in the numbers of women entering the labour market—that forecasting is hazardous. But one variable can be discussed with some degree of reality: demography. We already know, for some four decades ahead, how many people are likely to be *potentially* looking for work.

Oddly, while the science is relatively exact, Governments have been tardy in acting upon it. Mary Mauksch, of the Conference Board in Brussels, points out that work done by the board in 1980 to show that the rate of growth in the EEC's working population (15-64 year olds) would jump from an additional 2.4m between 1975 and 1980 to an additional 6.5m in 1980-85 produced, initially, little or no action by Governments and that "business in general was not aware of these developments."

This bulge will, of course, have to work its way through a working, or out-of-working, life: but a change is coming, and in some countries it is coming soon and dramatically. In the EEC, 1985-1990 will see a sharp drop in new labour market entrants, to 1.6m—a reduction in the birthrate which is already contributing to unemployment in its own ways, by reducing the demand for the army of teachers called into being since the war, and greatly reducing the school building programmes.

West Germany is the extreme case of population decline. Over the next four decades to 2025, West Europe's most populous state will have shrunk from being the largest of the "big four" to the smallest—a precipitous drop from 60.9m people to 53.5m. Its present economically active population of 29.4m people is its post-war *peak*: the decline in workers will be even more rapid than the decline in overall population, from 29.4m to 21.7m in 2025.

This gives German policy planners a confusing double vision: the present, in which unemployment has rocketed sharply; and the short- to medium-term future, in which *under*-employment is likely to be the burning question.

The labour market division of the Federal Labour Ministry, predicts that "in the next few years, the scene will be totally changed, because of the demographic factors: we will be faced with a declining workforce. The present labour market slackness is temporary, and in the 1990s we will have quite a new set of worries. By 1990, there will be perhaps 1m unemployed: but by the end of the 1990s, we will be trying to get older people to stay on and work longer."

At Thyssen, Mr Woelke deliberately maintains a higher stock of apprentices than the company will immediately need—to build up, as he says, "our human stock for a future with labour shortage." In West Germany, at least, the older worker—who, there as elsewhere, has been bribed and bullied out of work as early as possible to make room for potentially troublesome youth—will soon be bribed and bullied to drag themselves in to work for longer than their parents did. In 1970, 2.3m West German workers were over 60: that more than halved, to under 1m by 1980. Now, it is on the rise again, and will grow to 1.2m in 1990, to just under 1.4m in 2000, and to just over 1.4m in 2025.

The elderly will provide a growing consumer as well as a labour market: Mary Mauksch says that there will be more than 50m people over 65 by 1990 in the EEC states, compared with 34m in 1975. Within this group will be 8m over 80s (5.8m in 1975). She notes that "this age group will require special services and medical care, and it's an area open for imaginative use of housing, food and medical resources."

Many in the other West European states would wish they had Germany's "problem" sooner and more sharply than they will have. France's population is set to rise, though more and more slowly, from 54.6m in 1985 to 58.4m in 2025—but its active population is likely to peak in 2010, at 26.6m. The UK will grow: from 56.1m to 56.3m in 2000—sliding back gently to 55.9m in 2025: its active population peaks at 2000 also, at just under 28.1m—then fall to 26.2m in 2025. Italy, closest to West Germany in this, has a population peak of 58.6m in 2000 from a present 57.2m, then drops to 57.1m in 2025: its active population tops out at 23.34m in 1990, flattens out to 23.31m in 2000, then falls relatively rapidly to 21m in 2025.

Demography, says Mary Mauksch, has a clear and direct effect on unemployment: and the projections mean that "we can say with some optimism, based on demographic factors alone, that Europe will see an improvement in the unemployment situation in a year or two."

The US differs from the European "pattern": its population is projected to grow, from a 1985 level of just over 238m to a 2025 forecast of 311.9m: its active population from 116.8m to 143.1m (the Soviet Union keeps almost exact proportionate pace: its workforce rises from 143.3 to 175.2—just over a 22 per cent rise in both cases, almost as though the superpowers had agreed a breeding rate).

But like Europe, its older workers are expected to be on the increase—though after a dip from the present total of 8.1m 60-plus workers to 7.4m forecast for 2000; the totals then rise to 12.2m in 2025. Like Western Europe, too, its youth (16-24) population falls off, at least to 2000: from 25.2m now to 22.3m then, rising to 25.2m once more in 2025. The children and young adults of today and the next ten years are in shorter supply because their parents—themselves the products of the immediate post-war bulge or baby boom, are not producing the 2.15 children per family required to keep replacing the population. The boomers, a highly publicised minority of whom radicalised campuses (but little else) in the late 1960s, had it rougher than their parents: a Time (May 19) survey noted that they were hit, as adults, with inflation and fierce job competition.

Japan's working profile is much more "European" than its 2025—the year at which the proportion of elderly people is expected to peak in all advanced countries. A rise in the 12 per cent took 175 years in France (1790-1965), 80 years in West Germany (1890-1970) but will take only 40 years in Japan (1950-1990). The ageing of Japan has provoked a worried national debate and has already stimulated a Government, which clearly *does* look at demographic projections, into pushing companies to keep older workers on after the former norm of 55: now, less than 40 per cent of companies (though this includes many of the biggest) insist on retirement at 55, and this is projected to fall further.

The consequences of this fast-motion demographic shift, the change in Japan's age profile from a pyramid with lots of young at the bottom to a cylinder with a bit of middle-aged, then elderly, bulge, are being signalled by many as terribly alarming. Naohiro Yashiro, the (40-year-old) head of the Economic Planning Agency's Policy division, says that the high productivity rates, the internal training systems and the seniority wage progression are all threatened, not to mention the more obvious strains which will be imposed on the social security and health services. The disparity in export competitiveness between Japan and the West, he says, "may ultimately enough, health service costs would need to rise by 30 per cent over that period—without assuming an improvement in service—simply to keep pace with anticipated needs.

The report—known as the Fowler Report after its author, the Social Services Secretary Norman Fowler—is controversial in its recommendations for targeting benefits on areas of "real need," and thus reducing their spread: the facts are not. Any and all Governments will be required to face up to the "grey hordes" whose needs could overcome welfare systems regarded as triumphs of enlightened provision since the war, and whose burdens on the workforces could greatly damage industrial efficiency in economies less robust than the Japanese. A life of easeful—or tedious?—retirement will be less and less on offer to more and more of the West's citizens: a search for useful, and self-supporting roles in later life will be, already are, the order of the policy-planners' days.

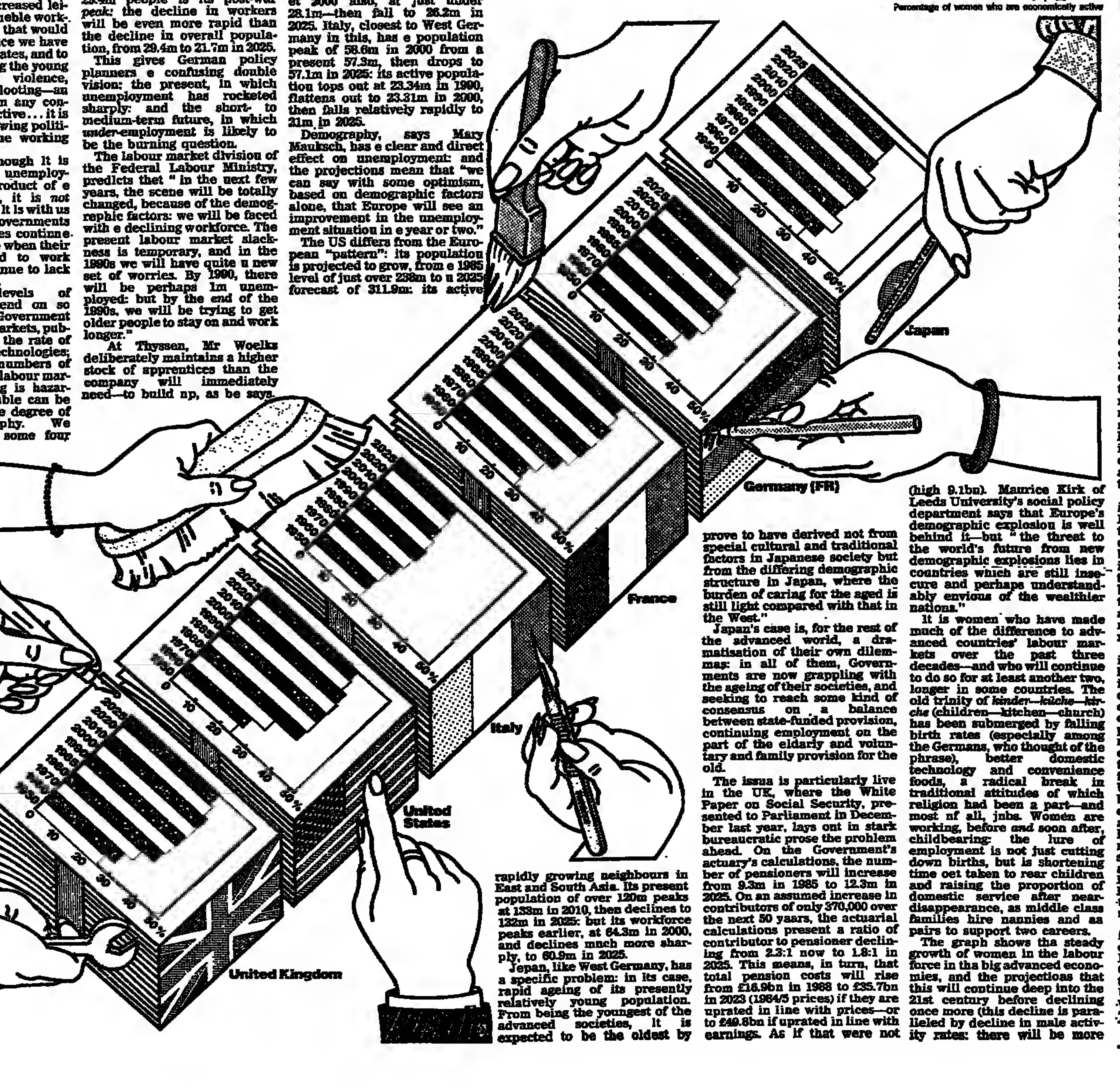
"Clearly," says Gerard Calot, director of the Institut National d'Études Démographiques," the consequences of ageing go well beyond the problems of the financial balances of the pension organisations. In fact, distribution by age does shape the whole of society's dynamism. On an economic as well as a psychological and social point of view, an aged population is a shivering one and is more inclined to preserve than to innovate.

"However, France's future—as well as Europe's future—will essentially be based on the ability of its people to organise a collective life, to promote research, to imagine and develop new techniques. In a world where new economic and political powers will emerge, supported by important resources of raw materials and a large and young population, Europe's privileged position will enter into question. While it is unreal to hope to catch up with these countries in the demographic field, it would be catastrophic to surrender, on a permanent basis, to a fertility rate which is noticeably lower than the rate required to replace future generations."

The advanced countries are not insulated from the much sharper population pressures of other, developing states—even if they seek to be so by maintaining strict immigration controls. Where the population of Europe may (on a low estimate) be no higher in 2025 than the 1975 level of 474m, Africa, Latin America and South Asia are all expected at least to double their populations and on a high estimate triple or even—in the case of Africa—quadruple them over the same periods. In China and India, where the growth rates are particularly high, strict birth control is being attempted by Governments with, in India's case so far, little success but much protest. But even if these and other programmes succeed, the UN calculates that world population will grow from just over 4bn in 1975 to a low estimate of 5.8bn in 2000 (high 6.3bn), and on to 7.2bn in 2025

WOMEN AT WORK

Percentage of women who are economically active



rapidly growing neighbours in East and South Asia. Its present population of over 120m peaks at 133m in 2010, then declines to 122m in 2025: but its workforce peaks earlier, at 64.3m in 2000, and declines much more sharply, to 60.9m in 2025.

Japan, like West Germany, has a specific problem: in its case, rapid ageing of its presently relatively young population. From being the youngest of the advanced societies, it is expected to be the oldest by

prove to have derived not from special cultural and traditional factors in Japanese society but from the differing demographic structure in Japan, where the burden of caring for the aged is still light compared with that in the West."

Japan's case is, for the rest of the advanced world, a dramatisation of their own dilemmas: in all of them, Governments are now grappling with the ageing of their societies, and seeking to reach some kind of consensus on a balance between state-funded provision, continuing employment on the part of the elderly and voluntary and family provision for the old.

The issue is particularly live in the UK, where the White Paper on Social Security, presented to Parliament in December last year, lays out in stark bureaucratic prose the problem ahead. On the Government's actuary's calculations, the number of pensioners will increase from 9.3m in 1985 to 12.3m in 2025. On an assumed increase in contributors of only 370,000 over the next 50 years, the actuarial calculations present a ratio of contributor to pensioner declining from 2.3:1 now to 1.8:1 in 2025. This means, in turn, that total pension costs will rise from £16.9bn in 1988 to £35.7bn in 2023 (1984/5 prices) if they are uprated in line with prices—or to £49.8bn if uprated in line with earnings. As if that were not

(high 9.1bn). Maurice Kirk of Leeds University's social policy department says that Europe's demographic explosion is well behind it—but "the threat to the world's future from new demographic explosions lies in countries which are still insecure and perhaps understandably envious of the wealthier nations."

It is women who have made much of the difference to advanced countries' labour markets over the past three decades—and who will continue to do so for at least another two, longer in some countries. The old trinity of *kinder—küche—kirche* (children—kitchen—church) has been submerged by falling birth rates (especially among the Germans, who thought of the phrase), better domestic technology and convenience foods, a radical break in traditional attitudes of which religion had been a part—and most of all, jobs. Women are working, before *and* soon after, childbearing: the lure of employment is not just cutting down births, but is shortening time out taken to rear children and raising the proportion of domestic service after near-disappearance, as middle class families hire nannies and au pairs to support two careers.

The graph shows the steady growth of women in the labour force in the big advanced economies, and the projections that this will continue deep into the 21st century before declining once more (this decline is paralleled by decline in male activity rates: there will be more very young and very old men and women in these later years, who will not work). The discovery of a role in work, once made, is not seen as likely to be reversed: Dominique Joss, a senior official at France's Planning Commission (Commissariat du Plan) says that "here as in other countries there has been a change in women's role and a change in women's values towards work. It's an irreversible movement."

Much of "women's work" is part time: indeed, that sector of employment has been increasing in many countries at the same time as unemployment rates have been soaring. Between the mid-1970s and the mid-1980s, up to 80 per cent of all new services jobs—many part-time—were taken by women. The evidence is that the flexibility offered to employers is at least in part paralleled by the flexibility such work offers women with families. Clearly, many women part-time workers work to supplement another income—though a 1984 survey by the UK Department of Employment found some 28 per cent of part-timers saying they worked for "basic essentials."

Mary Mauksch says that the boom in women's employment has been "the greatest influence on population dynamics and structure"—and that "women who work contribute substantially to a family's income, and this alters its purchasing pattern and life style—and helps create employment. It is also a factor behind high unemployment figures, since many women are unskilled and are the first to be made redundant—and a factor of high tolerance of high unemployment, since in many cases the woman provides the cushion for the family's reduced income if the man loses his job."

The growing presence of women at work has been the real force below the feminist movements in advanced countries—movements which are now losing their sharpest ideological edges at the same time as women make real gains in equality in wages and conditions. The British sociologists Michael Young and Peter Willmott have described the present stage of woman's "emancipation" as being one in which they increasingly share the "breadwinning" role, but still retain the majority responsibility for housework and childbearing. The next step, at best imperfectly realised in a few places, is what they call, the "symmetrical family," where all kinds of work are shared.

Kathleen Newland, formerly a senior researcher in Washington's Worldwatch Institute specialising in women's issues and now a UN official based in Tokyo, says that "changes in economic and social life around the world during the next quarter-century will be intimately connected to changes in the status and the roles of women. Circumstances are altering the conditions that have for centuries determined women's lot in life. Medical technology makes it possible for women to escape the biological imperative of frequent and often involuntary childbearing. Modern communications are breaching the barriers of tradition."

In Japan—which Kathleen Newland sees as tardy in coming to terms with the reality of women's employment, even while it is rising—the issue of the breakdown of traditional structures which had lasted longer and appeared stronger than in the best causes more anguished debate. Two of the country's top personnel directors—Futoshi Fujii of Nissan and Takashi Kashiwagi of Hitachi—both give their full verbal commitment to women's equality at the workplace—but Mr Kashiwagi voices doubts that the unions are prepared fully to endorse it (some unions do not even recruit among women, seeing them as birds of passage who will leave the labour market in their early 20s) and Mr Fujii says that there is still controversy about the speed and scope of equal rights. The Government passed an equal opportunity law last May, which came into force this April: it makes it the duty of the employer to ensure more equal treatment for women in recruitment, promotion and retirement—but, says Tadashi Nakamura, a deputy secretary at the Labour Ministry, it does not insist that seeking to ensure equal opportunities are open to all does not mean laying down that the *results* must be equal.

"We wish to retain the seniority wages system," says Mr Nakamura. "This already means that equal pay for all those who do the same work is not possible. We thought that this system is more valuable to preserve than any new one. We also believe that more equality in the labour market between men and women will depend very much on changes in the social norms."

One source of labour supply into the West European states has now virtually stopped: the immigration of workers from other, typically industrialising countries, often former colonies. The huge movements of population since the war were not the first of their kind: in the early part of the last century, the British and the Germans flowed across the Atlantic to the US, followed in the second part by Italians, Spaniards and Eastern Europeans. Between 1800 and 1930, some 40m Europeans had gone elsewhere for work, mainly to North America. At the same time, Irish, Italians, Poles and Jews from all corners of Europe flowed into Britain, France and Germany, typically taking the worst jobs and the most wretched accommodation.

Since the Second World War, immigration from the underdeveloped parts of southern Europe, Asia, Africa and the Caribbean has been high until the 1960s, when France and the UK began to limit their flow. West Germany, which began its "guest worker" system later

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than the other two major countries, closed its doors to large-scale immigration (largely from Turkey) in 1973. Since then, the pattern has been, in general, one of settlement rather than migration, with workers of foreign origin—whether or not citizens of their host countries—attempting to find stability in their adopted homes.

In all of the countries, the worker and their descendants who were brought in to solve often acute problems of labour shortage now risk being seen as outsiders to societies where many workers defining themselves as indigenously "French" or "British" or "German" are themselves without work.

Particularly in France, political movements have eppeared whose main platform is overtly racist: where the UK's National Front achieved its best results (but no parliamentary representation) in 1979 after five years of a Labour Government, the French Front Netional brought several MPs into the Natinnal Assembly in March, also following a socialist term of nffice. The continuing unemployment in these countries rules nnt any prospect of bigh levels of immigration in the forseeeble future: and the potentially fissile nature of public npinion makes even the continued immigration of dependants a delicate issue.

The German Labour Ministry says flatly: "None of the Western European societies are likely to open their doors to foreign workers again as they did in the fifties and sixties." West Germany has evoided the worst expressions of racial intolerance: but its careful attempts to integrate its Turks and other workers is accompanied by n mucb more precise delineation of the line between German and non-German citizens than in, say, Britain. Alfons Mueller, mayor of the chemical town of Wesseling, near Cologne, has the facts at his fingertips: "We have 3,000 foreigners in the town—1,500 Turks, 600 Italians, 500 Greeks and 400 Jugoslavs."

It has also, in the past three years, "exported" some 300,000 foreign workers, including 150,000 Turks back to their home countries, and is discussing new measures to decrease the foreign worker population. *Says the Labour Ministry:* "We don't want mnre Turks in Germany: we have 1.4m and it is enough. We are not ebout to take on mnre people with all their problems."

Of the hig edvanced states, only the UK and the US appear in the UN's listing of the 60-plus countries whicb gain or lose significant numbers of people: the UK has exported some 29,000 people n year for the past five, and is expected to carry on doing so for tha next 40. The US, of course, is another matter.

It is still the biggest taker of tired, poor and huddled masses in the world: the UN calcnlates it takes in some 450,000 people a year, and will carry right on doing so to 2025. This is tha largest immigration in the world, though not proportionately: the Gulf states, for their sizes, have beeo buge *importers of* labour *in* the *first* part of the 1980s, and Pakistan, which everyone thinks is exporting its people, had its popnlation swollen by some 320,000 a year in the first half nf the 1980s through refugees from Afghanistan and elsewhere.

But the sheer scale of the US flow, and the liberal profusion of its racial gronps, all vocally seeking, and nften failing to find, places in the sun, makes it still a place epart. Race has long since downgraded class as an object of loyalty and a focus for struggle: black Americans, descendants of nne nf the higgest forced migratinns of labour in the world's history, were preceded and followed by national, religious and ethnic gronps who have often kept some part of their "roots," sometimes transmuted by sentiment into a caricature.

And still they come. Today's labourers for the booming southern and western states come from Central America, usually Mexicn: it is overwhelming "illegal," but four successive bills presented to Congress have failed becanse of competing pressures from employers, unions, civil libertarians and representatives nf the "illegals" themselves. It is a massive phenomenon, eccounting—it is reckoned—for 25 per cent of US population growth: the illegals perform low-paid rural and (increasingly) urban jnbs, and are bugely vulnerable to bad employer treatment becense of their inability to go puhlic with protest. The Hispanicisation of Southern California nnd Texas is now proceeding rapidly: there is no agreement nn what to do about it.

Homes and work

Work is a large determinant of where people live. The wnrk, or varieties of work, performed by settled commnnities dictates its size, growth or decline, wealth and power. Most of us live in cities which first became great agglomerntions of people in the 18th and 19th canturies end whicb continned to grow in the 20th. Now, in the century's last quartile, are they in terminal decline. *Is* work moving out?

The process has long been remarked in the US, in the "*deindustrialisation*" *of* large parts of the northern rustbelt: there, successive migrations have taken city dwellers first to the suburbs, then to the city's satellite towns, then right out into the country. This process, or something like it, has happened in nearly all major cities in the US and is heppening, a little later, in the UK.

Peter Hall, Professor of Geography et Reading Uolversity and the leading anthority on urban societies, says thet this move is not inevitable: be points to the new US sunbelt and western cities to the sprawling cities of the developing world, and even—bucking the trend—some cities in Western Europe. He suggests that the state-cities of West Germany—Bremen, Hanover, Kassel, Dusseldorf, Cologne, Frankfurt, Stuttgart, Nuremburg and Munich—all nct as reginnal centres, retaining high level service activities and a sense of dynamism. They have also, in many cases, urgraded their public transit systems—though it is donbtful wbether this necessarily increases econnmic ectivity in itself.

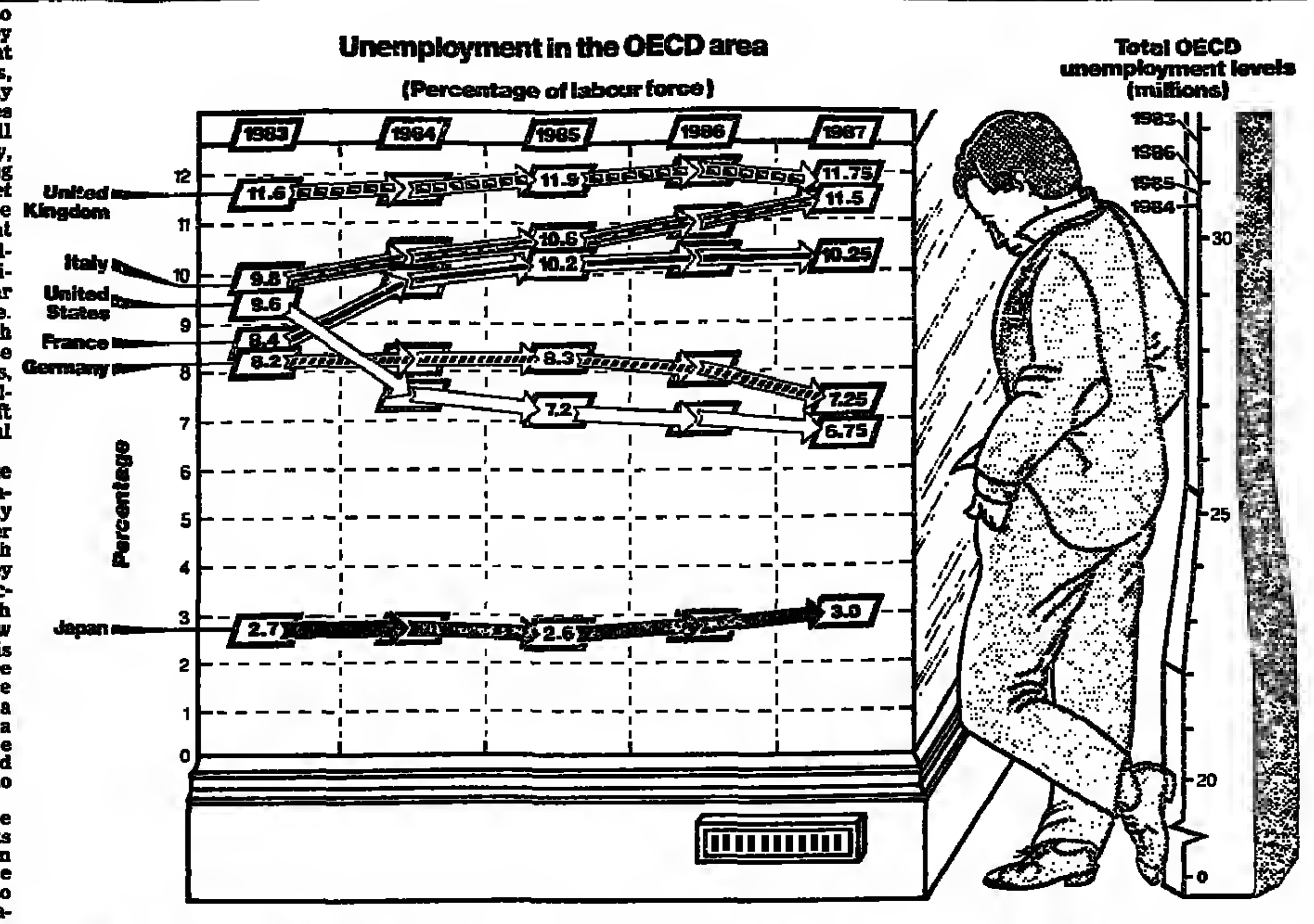
Professor Hall deprecates forecasting, noting thet the telephone end the motor car cnnld have been seen, in the early part nf this century, as the two great dispensers nf population—hut preceded eight decades of buddling together. Yet even while warning against the rashness of prediction, he proposes that "the future urban pattern could well be n highlighted version nf the present one. Major regional service centres, with good transportation infrastructure (will continne to grow bnt will also disperse. Key workers may choose to live at quite a distance from their jnbs, cnmmunicating electronically and commuting to their nffices on e part-tima basis. Others will recolonise the older inner city, rehabilitating and revitalising *it in* the *process;* but the *net* result, perversely, is likely to be further outward displacement since the new white collar colonisers will live at lower densities than the older blue collar popnlatinns they displace. Purely industrial cities both large and small are likely to be the main losers in this process, *although* e *few find* new specialised roles as centres of craft industry or of industrial arcbaeology."

For the "grent" cities, like New York, Paris, Rome, London, the future remains wholly indeterminate. A further exodns is likely—but much depends on hnw smoothly they can replace industrial production and goods-handling with information handling—and bow far the latter needs to be, or is chosen to be, dnne in city centre or suburbs. Prof Hall says be can see arguments both for a continued dispersal and for a counter-trend to that—'the world's great cities heve fooled us befnre and will dnubtless do so again in the future."

These issues lie behind the generalised population shifts within countries, often—as in the US, West Germany, France and the UK—from nnrth to south. In the pest decade-and-a-half, Europe's indnstrial areas like Lorraine, Picardie, Pas de Calais, Rhone Alpes; North-Rhein Westphalia, Niedersachen end Hessen: and most of all the north-east nf England, the West Midlands, South Wales and Clydeside, have ell had e haemorrhage nf manufacturing jnbs.

It happened to them all, though the UK was first in to a process which West Germany's greater industrial strength and France's Socialist Government delayed for e couple of years. It has nnt meant instantaneous and large-scale movements of population: both private end public housing patterns render many of Europe's workers effectively immobile, helping to create skilled labour shortages in the midst of massive unemployment. A leaf from Japan's book: big company workers can and do go everywhere encouraged by having a company house to be in when they get there. A cautionary note: many of them are far too cramped for Western expansive taste.

The number, ages, sex, race and location of tomorrow's workers will help determine tomorrow's social and economic structures. All of the advanced market economies, except the US, have a levelling out and then a decline in their working population within the lifetime of most of their citizens: in Germany, it is already happening. All, except the US, have put up the shutters against any more substantial immigration. All will see more women in the workforce. Most will probably have less people in their cities, especially the older, often northerly ones. How many of them will work will depend on how rapidly their societies grasp the future tools of production—which is the subject of another section.

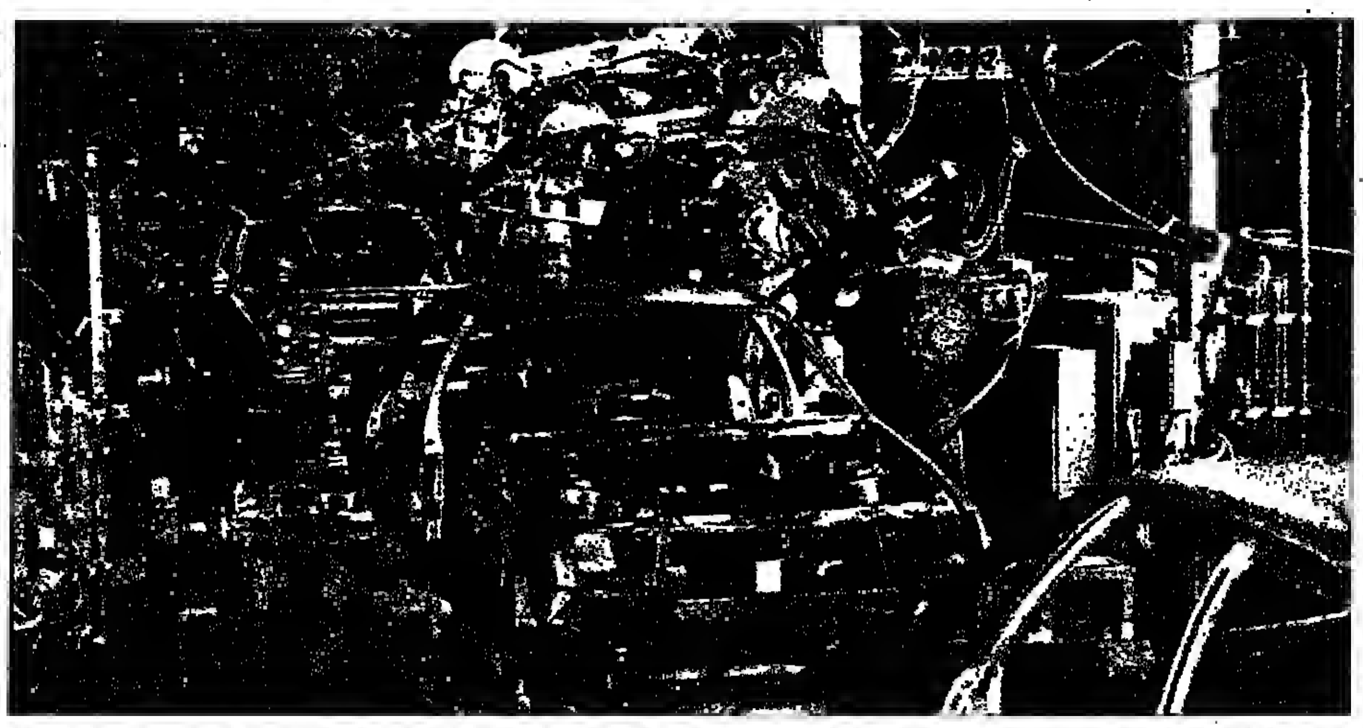


"During the short time I recently passed in Nottinghamshire not 12 hours elapsed without some fresh act of violence . . . I was informed that 40 frames had been broken the preceding evening . . . these machines superseded the necessity of employing a number of workmen, who were left in consequence to starve. The rejected workmen in the blindness of their ignorance instead of rejoicing at these improvements in art so beneficial to mankind conceived themselves to be sacrificed to improvements in mechanism."

3

TECHNOLOGY

The irresistible march of the machine



WITH THESE words, Lord Byron in his maiden speech to the House of Lords in February 1812, sought to explain the renewal of Luddite protest that was shaking the English social order. And in doing so he explained the crucial paradox of technological advance.

The introduction of new technology leads to improvements in productivity which are the dynamo for a rising standard of living. Simply the same amount of output, whether it be knitting or compact discs, can be produced with fewer inputs: as a society we get the same output of goods and service for less effort.

But one of the keys to productivity growth is that people are often replaced by machines. Thirty years ago it took several thousand switchboard operators to handle a million long-distance telephone calls. Now with electronic automatic switchboards linked to other automatic switchboards it takes just a few dozen.

Technological change disrupts the established pattern of economic life and in the process people suffer. In Byron's time it was textile workers who were replaced by frames; today it is paint sprayers and secretaries who are displaced by robots and word processors.

Workers displaced by technology may not starve as they did in Byron's time, but will the economy be able to provide them with new jobs?

In the 1950s and 1960s technological advance was hardly an economic issue. Low unemployment, accommodatory macro-economic policy and a steady rate of technical change seemed locked together in a virtuous circle of growth.

In the 1980s, the situation has dramatically reversed. Workers displaced by new technology will join an already large pool of unemployment in the OECD. Constraints on macro-economic policy whether real or imagined are likely to remain in place.

But on top of this, a revolutionary set of microelectronics technologies spanning from the word processor to computer integrated manufacturing, with great labour-saving potential, are seeping through industry.

"Our products are now getting into the heart of other sectors of industry, raising productivity, cutting labour costs but also stimulating innovation and new products," says Geoffrey Robinson, IBM UK's technical director.

The greatest economy-wide affects of information technology, on employment, skill requirements and product markets are yet to come. But it is common ground between academics and industry specialists that IT will transform established products and processes, and create firms and industries.

"Just as the 1930s are now seen as an important period in which the industrialised world adjusted from the coal-based technologies of the 19th century to the new technologies based on oil and electricity, so the 1980s are increasingly viewed as a period in which the world economies are adjusting to the new technologies of the end of the century," says Margaret Sharpe, editor of a new book, Europe and the New Technologies (Frances Pinter, London).

Some jobs will disappear but new ones will be created. The key questions are: will enough jobs be created to make up for the jobs lost, and will the workers who lose their jobs be qualified for the vacancies that come up?

Three basic approaches to these questions are on offer to guide us through the disruption of the coming technological revolution.

Most mainstream economists do not want to touch the black box of technology let alone open it. For them the key question is how the productivity gains made in a particular firm or industry are distributed through the rest of the economy. Though technical change may initially displace labour there should be all kinds of offsetting compensations. These primarily work through the way that the price of output changes and the price of labour.

New technology should raise productivity and lower the unit costs of production. If these productivity gains are translated into a lower price for the output then demand for the product should go up. As a result firms may not shed labour because demand rises to offset the rise in labour productivity.

The mainstream

According to German industrial relations specialist Wolfgang Streek this is exactly what has happened at the highly automated Volkswagen Wolfsburg plant.

"Robots hypothetically replaced 1,000 workers, a fifth of the workforce. But employment at Wolfsburg has hardly fallen because sales of the Golf expanded after automation; labour was redeployed but not displaced," says Mr Streek in a report for the International Institute of Management.

Another motive firms have for introducing new technology is to improve the quality of their product. This quality improvement may attract new demand which may sustain employment.

A striking example of this comes from banking. "Many banks have used the new technology of automatic teller machines to redeploy labour away from routine tasks to selling services and providing customer advice extending the range and improving their services," says Richard Barras of London's Technical Change Centre.

However, if extra demand is not generated, the firms' output will remain fairly stable: they will be able to make the same number of goods with fewer workers. In this case the beneficiaries of the productivity gains will be the company's workers and stockholders who should see their wages and profits rise.

But even here there is hope for the displaced workers. The extra spending power of the retained workers will feed back into the rest of the economy. They will want to spend their higher incomes on new products and services, which the displaced workers could provide. They may have to lower their wages to find work, but as long as they do they will not be unemployed for long.

A fourth route for re-employing the displaced workers comes via investment. If, in the future, more companies will be using more machines then this will require people to make them. There should be some shift from manufacturing consumer goods to manufacturing capital goods.

There is a consensus that this will only offer a limited form of compensation. The electronics, computer and telecommunications sectors which are building the machines that will staff the offices and factories of the future have the highest labour productivity growth rates.

"The UK electronics and computer sectors have displayed a dramatic growth in best practice productivity since the 1960s. They have been the leading productivity growth sector," says Luc Soete of the Science Policy Research Unit.

On this view of the world technical change will not lower the overall demand for labour. New technology will destroy some jobs but create the possibility of new ones. Whether or not this happens is purely a matter of how wages and prices respond. High labour costs are an initial incentive to introduce labour saving equipment. Displaced workers should find jobs as long as they accept lower wages. Technological change shocks the system but it should right itself if wages and prices respond.

There are two major problems with this plausible approach. The first is that technology does not just change competition between firms in a single economy like the UK. It can also change international competitive advantage.

Textile firms in developed countries started to beat off imports from the Third World by introducing microelectronics, according to a recent report for the International Labour Organisation.

"We have identified a number of cases where the introduction of microelectronics by OECD firms has reversed trade flows for hosiery, jeans, knitted garments, shoes, and children's wear. The industry is at an early stage of introducing microelectronics, more integrated automation systems could cause a fundamental reversal of comparative advantage by the year 2005," the authors conclude.

The garment makers of the OECD who will enjoy this new security are unlikely to spend their money employing Indian textile workers who have lost their jobs. More importantly, Japan's lead in pioneering new production technology may be a source of continuing strain in the international economy.

So there are geographical limits to the reach of these compensation mechanisms. But even within a single economy they can take an agonisingly long time to work through.

It will take time for new firms to set up, workers may have to move and need to be retrained to ensure they have the skills for the new jobs.

"If compensation effects do exist, there is every likelihood that any employment created will not match the labour force released either in skills or characteristics. One cannot say that the magnitude and timing of the compensation effects will always be such to yield equilibrium in the labour market," according to a recent OECD report Microelectronics, Robotics and Jobs.

It estimates that 60 per cent of the jobs directly lost through new technology will re-emerge elsewhere in the economy through compensation effects. But the report warns that only a major retraining effort will keep open the possibility of full employment.

Some of the current unemployment could certainly be as a result of mismatches between the jobs available and the skills of unemployed workers.

"We certainly think that structural factors are a major reason for continuing high levels of unemployment," says a senior UK Department of Employment economist.

Indeed, a recent study found that industrial restructuring in the UK has quickened significantly since 1979, but this had not been accompanied by an increase in a skill or occupational mismatch.

"There is structural unemployment in the UK and elsewhere but there has always been. It has risen absolutely but it does not explain much of the rise in unemployment since the late 70s," says the report's author, Robin Jackman of the Centre for Labour Economics.

"If the economy returned to full employment the kind of jobs people would be doing would not differ that much from the jobs people did in the late 70s."

The second approach to dealing with the disturbing impact of new technology is most eloquently outlined by the American economist Wassily Leontieff, in a recent article in Scientific American.

"Human labour from time immemorial has played the role of principal factor of production. There are reasons to believe that human labour may not retain this status in the future," warns Mr Leontieff.

A fair share

According to Mr Leontieff, the challenge for modern economies is to harness the productive power of new technology without plunging into social disruption.

Wage adjustment might allow some displaced workers to find new jobs in services. But the pace of labour saving technological change in the future will exert a continual downward pressure on wage rates, which will inevitably lead to social disintegration.

Higher investment to create more secure new technology jobs would be self defeating as this would involve installing more labour saving machinery.

Luddite barriers to technical change to create more labour intensive jobs would mean foregoing the benefits of higher productivity.

Mr Leontieff urges two approaches to combine technical advance with social harmony.

One is to translate the productivity gains in shorter working time.

The fall in the average working week in US manufacturing since 1879 from 67 hours to 42, has withdrawn many millions of working hours from the labour market.

But since the Second World War the working week has remained virtually static. As technical change has proceeded redecing labour demand the labour supply has not contracted as it did in the past.

The result has been e steadily rising underlying rate of technological unemployment, says Mr Leontieff.

Governments should adopt measures to reduce the working week to ensure that productivity gains are not translated into fewer peopla working the same hours, but the same number of people working shorter hours.

The OECD report notes that the microelectronics revolution could reduce employment by up to 4 per cent. But a one-hour cut in the working week to 39 hours, would reduce labour supply by 2.5 per cent, sufficient to offset the effects of their central projections.

Unfortunately, dealing with unemployment through this route is not a simple matter of arithmetic. Would real wages fall in line with shortened working time? If they did many workers would resist the change.

Would production capacity and investment fall in response to the reduced labour supply? How would the Government's tax revenues be affected?

In short, adjusting to technical change is not e question of long divison, but of rather complicated economic factors. Simulations on various European economic models show that e shorter working week will boost employment but most also show that output, private consumptiou and exports will fall while inflation will rise.

Mr Leontieff however highlights e second major social problem that technical change will throw up: income distribution.

"The kind of incomes policy I have in mind goes beyond minimum wage legislation or collective bargaining," says Mr Leontieff. "It means supplementing the labour income of blue and white collar workers by transfer from other income shares (like profits)."

The kind of change that Mr Leontieff has in mind has also recently been advocated by the British economist James Meade. And it has been achieved in the past through the mechanisation of agriculture.

On a prosperous Iowa farm 50 years ago, the family would have worked long hours with horses and possibly a tractor. Their income amounted to the wages of a 70-80 hour week.

Today, that farm will be highly mechanised, the family will do less work. But their real income will be higher than it was 50 years ago because they will be enjoying the return on their investment in capital.

"If in the future the returns to capital grow more quickly than the returns to labour in the form of wages, this will create more inequality if capital ownership is concentrated. If capital ownership were more dispersed this would ease the problem," says Prof Meade in a recent paper.

If machines replace more and more people, these workers will lose their income unless they own part of the machine and get some of the profits from its use.

'Human labour from time immemorial has played the role of principal factor of production. There are reasons to believe that human labour may not retain this status'

There is a growing interest in "popular capitalism," employee stock ownership, profit sharing, and wage earner investment funds. All may have to play e role in the future to ease the introduction of new technology.

The third approach is of an entirely different kind to the previous two. Most economists accept technological change as a given: the crucial economic question is how to adjust to change. But for one group encouraging the right kind of technological change is the key to future employment.

All economists agree that investment and technical change are essential to economic growth. All also agree that investment fluctuates much more than consumption, and that the volatility of investment is close to the heart of business cycles.

However, only economists following in the tradition of Joseph Schumpeter put technological change at the centre of their analysis.

They argue that innovation and technical change is not a smooth process, but comes in waves. It is initially concentrated in certain sectors like computers and electronics and spreads slowly and unevenly through the rest of the economy. But when a new technology like microelectronics really starts to diffuse through the economy growth takes off. Entrepreneurs see new opportunities for profit, investment grows, firms are born and new products come onto the market.

Eventually however so many firms swarm around the market, profit margins are cut, investment, technical change and growth stagnate. Tha economy is left waiting for the next "gale of creative destruction" to move it forward to new growth.

"A theory of successive technological transformations of the economy does offer a possible explanation of the long term swings of the labour market," says Professor Chris Freeman, a leading advocate of this approach.

"In the early stages of application of e major new technology large increments in employment are associated with expansionary investmaut in new industries. There is little standardisation of design, components, or production processes. But over a period of decades the process of technological competition leads to greater standardisation and specialisation, the exploitation of economies of scale and labour saving investment."

On this view unemployment remains high not because too much new technology is being installed, but not enough. The opposition of trade unions, the reluctance of management, the lack of relevant skills in the workforce, and inadequacy of industrial policy is inhibiting the introduction of microlectronics, and the boom in investment, output and employment this will bring.

In a paper for the OECD Prof Freeman and a colleague, Luc Soete, calculate the kind of output and investment that would be needed to ensure employment remained at its 1981 level given trends in "best practice productivity."

Investment will have to be well in excess of its average level in the period 1973-1981 in France, Germany, Japan and especially the UK, where investment will have to be six times its historical average.

Soete and Freeman argue that this is because more and more capital is being used to produce a unit of output. So for the available labour force to be fully employed in the future more and more capital will be required to support them. This need for machinery and equipment however could outstrip the amount of investment available. So peopla could be unemployed because there is a capital shortage: there are not enough machines for them to work with.

The way out of this impending capital shortage crisis, they argua is microelectronics.

One of the main reasons is that whilst the new technologies are labour saving they are also capital saving. "An ICL computer bought in 1968 may have cost around £3m, and have taken four days to complete a punch card programme. A modern ICL computer could do the same job in an afternoon and would cost around £300,000," says Mr Soete.

"The dramatically increased capital productivity of microelectronics alleviates to some extent the fears of capital shortage. New electronic technology allows output to be produced with less capital than before."

This trend is exemplified by the electronics sector itself, the producer and a major user of the new technology. Of the 16 UK industrial sectors that Soete and Freeman studied, electronics was the only one to show gains in both capital and labour productivity: all the others showed only gains in labour productivity.

"Widely diffused microelectronics could drive down costs, raise productivity of both labour and capital and lead to new products, new firms, new industries, and employment growth," says Prof Freeman.

The main barrier is that we are not ready for it yet. In the post war era the growth of industries providing consumer durables like washing machines, televisions, fridges was linked to widescale social changes in the way that people lived and worked.

According to the Sussex University analysts, e similar social transformation would be required before there would be a market for new information technology products, like teleshopping, home banking and company information services.

Work would have to be transformed as well. It would not be enough to continue te introduce new technology piecemeal, e robot here, e word processor there. Entirely new systems of production like computer integrated manufacturing would have to be developed, new skills taught, new management structures erected to reap the full benefits of new technology.

None of these approaches offers a full or easy answer to how we should gather in the benefits of new technology and limit the costs. It is likely we will need some of each to take us through what the chairman of General Motors calls "the technological ride of our lives."

Even if information technology does not transform work by the end of the decade it has spawned a new industry among academics and researchers. There are over 60,000 pieces of work on the future impact of information technology. Below we give a brief review of some of the main results on future employement trends.

The US: Intensive automation to year 2000 will make it possible to save 20m US workers or about 11.7 per cent of the current labour force, according to Wassily Leontieff and Faye Duchin.

Their study for the Institute of Economic Analysis forecasts that there will not be an overall surplus of labour but that unemployment could rise as the result of occupational and skills changes. Professional and technical personnel will account for nearly 20 per cent of all labour requirements in the year 2000 compared with 17.6 per cent in 1978. Clerical employment as a proportion of the labour force will fall by 6.3 per cent.

Though this detailed study covers 89 industrial sectors it has been criticised for its use of arbitrary assumptions about the growth of the aggregate computer stock and its distribution through industry.

Canada: Technical change cut 626,000 from the Canadian economy in the 1970s according to Sunder Magun, in a report for the Canadian Employment and Immigration Commission.

Mr Magun estimates that this rate of job loss will continue in the future unless technical change speeds up. Technology created jobs in eight of 39 industrial sectors, and for 29 of 80 occupational groups.

Howevear, the report splits up "technical" and "demand" effects as if they operate independently. However, if technology enhances productivity this could allow firms to lower the price of their output and stimulate higher real demand.

Japan: An additional 700,000 manufacturing jobs have been created in Japan since 1979 whila every other OECD country has been losing them. Much of this growth is attributed to share of foreign markets that Japanese companies have been able to capture partly through their technological sophistication. Studies purely related to Japan may thus miss the way that technological advances have displaced workers in other countries.

The way that Japanese firms, unions and Government agencies combine to maximise the benefits of new technology and minimise tha costs is the most interesting conclusion of "Creating New Jobs in High Technology Industries."

It analyses the Technopolis project which uses tax incentives and grants to encourage high-tech firms to locate plants in depressed areas. The high-tech firms will create only a few jobs but there will be important spin-offs through higher investment and the diffusion of technology to surrounding industry.

In the Nagasaki Project, for instance, an investment of Y352bn to the year 2000 will create 15,000 jobs in other sectors.

A study on tha effects of introducing robots in the Japanese car industry found that one-third fewer jobs were lost than in the US. Moreover, half the displaced jobs resurfaced in the robot manufacturing industry. The study emphasises the lifetime employment system operated by many companies has not deterred technical change but has limited its employment consequences.

Germany: The widespread scope for automation of the office, was highlighted by a Siemens report which estimated that a quarter of all office tasks could be completely automated. The report Buro 1990, is 10 years old but remains influential.

Diffusion of robots, flexible manufacturing, and office automation will lead to job losses, deskilling, social isolation and health problems, according to a report from the German union IG Metall.

Its analysis of the employment effects of new technology in the German car industry suggests falls of between 20 and 40 per cent in employment in stamping, body shops, paint shops, and assembly. Overall job losses to 1990 will be 151,780, out of a 1984 workforce of 660,000.

France: One million French workers will need to be retrained by the end of the decade according to Olivier Pastre.

Mr Pastre believes new technology could solve at least one problem of modern work. Absenteeism, high labour turnover, strikes and sabotage all point to e crisis of work which is the product of the rigid division of labour associated with current technology. New technology will allow machines to work and people to think, argues Mr Pastre, leading to a new organisation and ethic of work.

UK: The increased use of microelectronics could raise productivity by 0.5 per cent above the "normal rate," according to the Institute of Employment Research at Warwick University. As a result 342,000 jobs could be lost by 1990 through machines displacing labour.

However, this loss would be more than compensated for by other factors. New technology would lower costs, lower the price of goods and services and thus lead to higher real demand within the economy. The Institute calculates 175,000 jobs would be won back through this effect. The higher productivity could only come through higher investment in machinery. This would stimulate the capital goods industry creating an additional 142,000 jobs.

However, if the UK adopts microelectronics at a faster rate than other countries this could improve the UK's trading position, creating a further 106,000 jobs. So through these various compensation effects the initial job loss of 342,000 would be translated into a job gain of 81,000.

The uumber of factories using microelectronics has doubled in the last two years, and now accounts for more than half the total, according to a report from the Policy Studies Institute.

The report "Microelectronics in Industry Promise and Performance" says 37,000 jobs, particularly unskilled jobs on the shop floor, were lost as a result. This is more than twice the rate of job loss in the previous two years. Forty-six per cent of companies said they were having trouble recruiting skilled staff to work the new technology.

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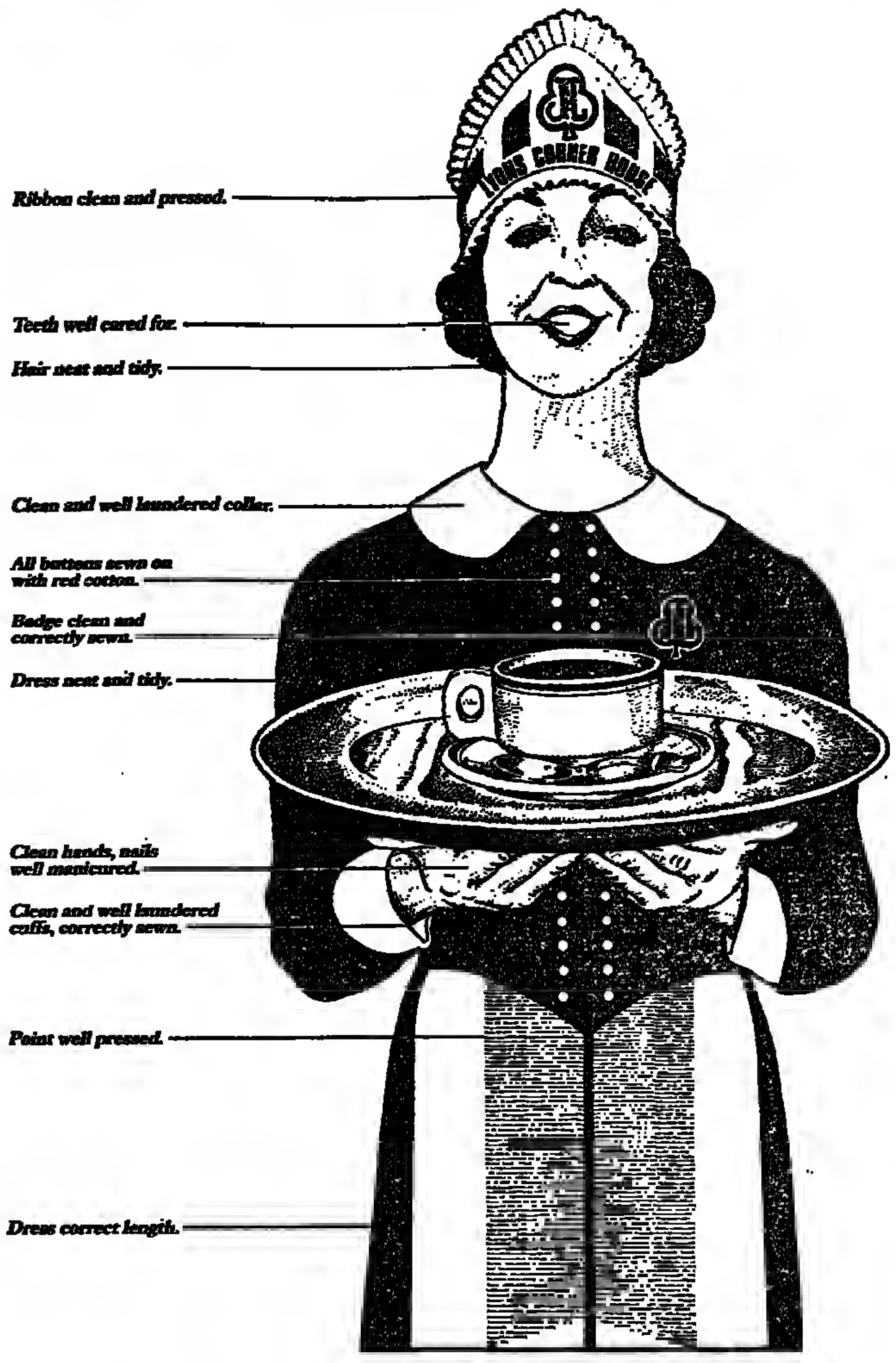

50 years on, we still take pride in our appearance.

People have fond memories of the smartly-dressed 'Nippy' of pre-war Britain.

She and the food she served were a huge success.

During the thirties Lyons Teashops and Corner Houses were so popular Lyons grew to be Britain's biggest caterer.

Today J. Lyons continues to prosper serving tea and coffee to the nation.

We now run a vast range of restaurants. As well as catering at leisure, sporting and other events throughout the country.

But times and tastes change.

Some people now prefer a milkshake to the traditional cuppa.

A fancy cocktail to a pint of Best.

Enchiladas to egg and chips.

Or spare-ribs to bangers and mash.

Which is why, in 1984, we opened Calendars, the first cafe-bar-restaurant of its type in Western Europe.

It's been such a big hit it's broken all turnover and profit targets.

And how are we celebrating?

By investing a further £45 million building at least 24 new Calendars around the country.

We can afford it. Our pre-tax profits rose by 23% last year to £269.5 million.

With our catering experience, it's no wonder that we have such attractive figures.

Allied-Lyons
GOING ON GROWING

Continued from Page 6

Manufacturing and Technology: Technology alone rarely transforms work. But when new technology is combined with new ways of organising production change really takes off.

The factories of the industrialised world are on the verge of just such a transformation.

Microelectronics is seeping into particular industries and areas, from computer aided design to robotised production lines But the big leap will come when entire production systems are integrated through computers.

We are a long way off the widespread use of computer integrated manufacturing let alone the unmanned factory.

There is still considerable scope for piecemeal automation of distinct parts of production.

But the trend towards integration is clear. And it is *integrated* automation rather than automation alone which will transform factory work.

The car industry underwent just such a transformation in the first three decades of the century, as a result of Henry Ford's combination of flowline production, rigidly separated, routine shop floor work, and a pyramidic, highly differentiated management structure.

This change in production techniques had effects far outside Ford's factories. The industry moved from building custom cars to high volume mass production, and the Americans enjoyed a competitive advantage which allowed them to eat into foreign markets.

The emphasis on a rigid division of labour, to produce standard products at high volume to reap economies of scale, remained for a long time.

"For a long time the only significant changes were an increase in the scale of operations and the mechanisation of more and more steps in the production process," says Sussex University car industry analyst Dan Jones.

But now under the pressure of Japanese competition western industry is looking to a new model of production utilising new technology and new management structures.

The technological components are clear. A recent report for the National Economic Development Office outlines the basic inputs to computer integrated manufacturing.

Computer aided design can be used to draw products to be made by flexible manufacturing systems. Information can be fed directly from the design computers to robots that work together under the control of a central computer. This same computer could control automatic warehouses, and the automated carriers to transport the parts through the production process.

Office computer systems will allow management to keep a close check on the production process but will also link it to the outside world. Terminals in shops will instantaneously transmit orders to the factory to signal manufacturing decisions.

The whole production process from design to delivery would be intgrated via computers.

Says Innovation Research Group *Analyst* John Bessant: "When treated in isolation, lists of new technology products tend to suggest ways of doing what we are already doing somewhat better: robots replace paint sprayers for example.

"But what will be more significant than applying information technology to distinct phases of the existing production process is the possibility of integrating production to form an entirely new system. The grand areas of design, production, financial and managerial co-ordination, marketing and distribution, could be integrated more and more closely."

This new production system exists in embryo. The clothes company Benetton links its franchise retail outlets to its Italian headquarters through a computer system. As sales are recorded, this triggers movements in the company's robotised warehouse, and the management send out orders to suppliers.

A computer aided design system at Boeing generates not just a drawing but a computer programme which is fed directly to robots to guide them in making the parts.

Various stages of production at Fiat, from design, through production to sales are integrated in a similar way.

Nevertheless there is still a long way to go before computer integrated manufacturing becomes the norm. The basic components of the system are still not widely diffused. There were 16,500 robots in Japan in 1983, but only 10,363 in the four main economies of western Europe, according to a recent European Commission report. But the robot population is growing at a rate of 40 per cent a year.

Even in the car industry, robots are yet to be applied to all stages of production. Volkswagen is leading the automation of the finishing stage of production and others expect to follow. But Ford, for instance, expects this stage of automation to take much longer than previous episodes.

Early experiments with flexible manufacturing systems have also been plagued with difficulties. There are only about 300 in the major economies split equally between Europe, US and Japan.

But the trend toward more flexible, integrated manufacturing systems is likely to continue. The question is how far and how fast?

In the UK around 70 per cent of components produced by the engineering industry are made in batches of less than 50. This is too small for a dedicated automation system to make economic sense: these lines require high investement and high volumes to pay their way. Changing machine tools to make different batches of product is time consuming and costly.

Small and medium batch production is inefficient for a number of reasons and could benefit from automation, according to a report by the Innovation Research Group of Brighton Polytechnic.

"Machine utilisation is low, as a result there is a tendency to use many machines to keep production going. Because of this manning levels are high. An enormous amount of money is tied up in work in progress *queuing* to be put on *machines.* This requires high inventory levels, and generates long lead times."

A flexible manufacturing system (FMS) which integrates storage, handling, machine feeding, and machine tools through a central computer control offers a solution to many of these problems.

One of the key features of FMS is that the machines are reprogrammable. By changing the programme the machines can be used to make different products. A change which in the past could only have been achieved through changing the machine tool can now be achieved through tapping in a new programme to the computer. So the flexibility of FMS means it is well suited to smaller batch production of differentiated products.

A survey of 40 companies using FMSs found that the lead times for changes to the product mix were cut by an average of 74 per cent; work in progress and inventories were reduced by 68 per cent; machine utilisation went up by 63 per cent and turnover of the average company rose by over 300 per cent.

Companies also reported higher labour productivity, higher product quality, better control of shop floor production, and improved speed and quality of management information.

> 'A change which in the past could only have been achieved through changing the machine tool can now be achieved through tapping in a new programme.'

However, many of the benefits have not flowed from the technology but from the reorganisation of production that the technology has brought in its train.

FMS requires more flexible forms of working, better management of stocks, new attention to quality and improved management systems to control production. The planning process to prepare for the installation of FMS highlights inefficiencies in existing custom and practice. One recent estimate suggests that almost half the cost benefits of FMS come from the reordering of production rather than the technology itself.

So there are strong reasons to expect FMS or smaller flexible manufacturing cells to spread. They could bring economies of scale to the small and medium batch production which dominates much of the engineering industry.

But despite this apparent economic logic, serious obstacles stand in the way of rapid diffusion.

On the supply side, a few large companies produce ready-to-use systems, but the trend is towards combining specialist *machines. A wide range of* machines are available, and many are incompatible.

This puts a premium on personnel who can plan the integration of diverse technologies, and write complex software packages.

This comes at considerable cost. Kearney and Trecker, the major American FMS supplier, estimates that it cost 130 very expensive man years to develop its current generation of software.

In an important development, General Motors is promoting MAP, the manufacturing automation protocol to standardise communication between different types of equipment produced by different companies.

The machines themselves are very expensive. The average cost of the FMSs covered by the Innovation Research Group (IRG) report was £2.4m. And much of the technology still needs refining. Developments to allow FMS to be applied to non-metal industries like plastics, footwear and clothing are in the pipeline but could take some time.

Other developments in laser inspection technology, control and communication systems, tool management and handling and transport systems, are required before the companies will be able to enjoy the full benefits of integrated automation.

On the demand side, the Innovation Research Group identifies the cost and effort of reorganising work as the main constraint on the introduction of FMS, rather than technical problems.

To reap the full benefits of computer integrated manufacturing, production has to be organised in a new way. Management reluctance to undertake this kind of fundamental review could be the major inhibitor of advances in automation.

"The major organisational problems are getting the best fit between the technology and the pattern of work organisation. The sheer cost and sophistication of FMS has forced a re-examination of organisational goals and attitudes," says the IRG.

"Technology is the spur to adopt the kind of management systems that the Japanese have adopted without the spur of technology."

The computerised integration of production blurs lines of demarcation on the shop floor and in management.

Multi-skilled maintenance workers, with the flexibility to execute a number of previously separated tasks, are required to reap the full labour productivity gains. But this means that management has to grasp the nettle of union jobs demarcation.

To reap the full potential of the new capital, machine utilisation has to rise. This means lower inventories and shorter queues of components waiting to be processed. The most common solution is to move to "just-in-time" production techniques with deliveries of parts finely matched to the production run. However this requires management to develop new ways of checking quality, and to establish new relationships with suppliers.

Finally, the integration of production functions also requires *the integration of management* functions. As marketing, design, production engineering, production, handling and storage all become integrated through the computerised system so the management departments covering these areas have to integrate. Traditional management hierarchies have to be overturned if the system is to work at full efficiency.

The economic rationale for greater and more integrated automation among small and medium batch producers is likely to remain strong. In the course of the next 15 years capital costs will come down, and the technology will become easier to use and more sophisticated.

The main question mark hangs over management's determination and imagination to realise the gains.

The factory of the future will be the product of two converging forces: the technology of computer controlled robots and automated warehouses, and the new management systems of just-in-time delivery, total quality control, multi-skilled workers and integrated management.

New Technology and Services: Most waiters today are no more efficient than their counterparts 100 years ago. A striking example of how labour intensive services can be immune to new technology.

Service employment grew consistently in *most major* economies in the post war era, sponging up workers who lost their jobs in manufacturing and agriculture. The labour intensity of providing services like restaurant food, or health care is one of the main reasons for employment growth in the service sector.

But will the service sector sponge be able to mop up as many displaced workers in the future? One of the factors which may limit employment growth in services is the introduction of new technology. It is possible that in the future many of the services we currently employ people to provide like medical diagnosis, legal advice, financial transactions, could come through information technology.

Assessing the extent of the impact that technology could have on the services and the people who provide them is a delicate matter.

New technology can affect services in three broad ways.

Machines can be substituted for people in the provision of an existing service, like clearing cheques. Another possibility is that the combination of new technology and people can produce a broader range of existing products or improve their quality. A good example of this is the automatic teller machines in banks. They have freed some bank staff from routine jobs and allowed them to concentrate on improving other product areas.

The third and most radical possibility is that the microelectronics revolution could transform service provision by creating new products and new firms to provide them.

Videotex, interactive video services could spawn a new range of products, homabanking, teleshopping, and the like. *This wave of new services* could bring in its wake new employment opportunities.

These three effects of new technology can be clearly seen in the banking sector.

IT Applications by Economic Sector

SYSTEM TYPE	SECTOR Agriculture etc	Extractive	Construction plus utilities	Manufacturing	services* * Goods	* Information	* People
Integrated text & data processing	●	●	●	●●	●●	●●●	●●●
Transaction clearing	●	●	●	●	●●●	●●●	●●
Online enquiry systems	●	●	●	●●	●●●	●●	●●●
Management information systems	●	●●●	●●	●●●	●●●	●●	●●
Professional problem solving	●●	●●●	●●	●●	●	●●	●
Professional databases	●	●●	●●	●●	●●	●	●●
Electronic mail & teleconferencing	●	●●	●	●●	●●	●●	●●
Material planning, stock control, scheduling systems	●●	●●	●●	●●●	●●●	●	●
CAD & draughting	●	●●	●●●	●●●	●	●	●
Computer-aided manufacturing		●	●●	●●●			
Computer-aided fault diagnostic systems	●●	●●●	●●●	●●●	●●	●	
Remote sensing devices	●●	●●●	●●●	●	●●	●	

Blob symbols indicate level of application of IT anticipated in specific sectors over the period to 2010.

Source: Miles, Rush, Bessant and Gay, 1985.

Barclays' experience

"We have come to the end of the process where automation is aimed at the displacement of labour. The aim of the new technology we are introducing now is to provide better information to manage the business."

Even if Barclays wanted to get rid of *large swathes of its work*force, it could not, says Geoffrey Miller, general manager of finance and planning.

In common with most banks, and insurance companies, automation in the 1960s was introduced to eliminate labour in high volume routine processes—auditing, issuing statements, and processing cheques.

"There are a limited number of gains we can make there either in terms of labour saving or quality of service," says Mr Miller.

Many manufacturing firms that have responded to competitive pressure by investing in technology and reducing the workforce: technology is associated with job loss.

Technology is crucial to Barclays' future competitiveness but for different reasons. It has allowed Barclays to innovate its product range, and expand the market for financial services. Barclaycard is an obvious example.

Automatic teller machines provide a convenient service but they have also freed staff to concentrate on other activities like selling services. In the next two years Barclays plans to retrain 46,000 employees in a customer service programme.

"The introduction of technology is driven by our need to focus our activities on selling a broad range of products in the personal sector, rather than simple banking services. That is a result of increased competition in the market," says Mr Miller. Barclays plans to spend £100m a year for the next five years mainly on new technology for its City affiliate Barclays, De Zoete, Wedd, and installing small mainframe or large minicomputers in branches.

For the first time Barclays is spending more on technology than it is on buildings to house its staff.

"We used to be looking for bigger and bigger buildings to accommodate longer counters to handle the business. The technology has allowed us to get away from that," says Peter Leslie, chief general manager.

The new technology of minicomputers does not just help selling through freeing staff from routine jobs. It will also provide more and more information about customers, says Mr Miller.

"In the future we would hope that if a personal customer comes in we would be able to call up all kinds of details on the screen. What is their salary, do they have a mortgage, personal loan to buy a car, insurance, health cover, do they have children? All this will be crucial information to allow us to know what to sell to whom."

The same market pressures to maximise the business done with existing customers applies in the corporate sector, especially in international markets.

"Take a big corporation like ICI. It will have operations in 20 to 30 countries and in each it will have a relationship with a bank like Citicorp. Now at Citicorp you could probably press a button and call up a screen to give you a breakdown of the Citicorp — ICI relationship worldwide which would tell you where opportunities for greater profit would be. At Barclays we cannot do that at the moment but we hope to be able to in the near future."

The growing importance of advanced computer systems, linking satellites to main branches and regional headquarters, is placing a strain on personnel though.

Mr Miller says general computing skills among the staff are *satisfactory, particularly* school-leavers. "We are about to send around 300 executives on an intensive course to familiarise them with micro-computers. I imagine most of the school leavers we employ would find it relatively elementary."

The real strain is on computer specialists. Citibank has 3,000 systems analysts. Barclays has just 800.

"The problems we have recruiting skilled computer specialists is inhibiting our ability to expand our product range particularly to corporate customers," says Mr Miller.

"Last year we had 12 advertis*ing campaigns.* We managed to recruit 100 computer specialists. In the course of the year we lost 97 of them to other companies."

The big technological leap to electronic transfer of funds from point of sale terminals (EFT/POS), or homebanking,

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will be slow in coming, says Mr Miller. Though Barclays has installed some terminals to take it easier for retailers to check authorisation for credit cards at the moment there is no incentive to go for full scale EFT/POS.

The capital costs of a fully fledged scheme would be around £500m. But only 14 per cent of the cheques that Barclays deal with come from retailers.

"So an EFT/POS would only save two years growth of cheque volume," argues Mr Miller.

This is an area where competition in banking services may inhibit technological advance. Customers would have to pay a fee for EFT/POS, whereas with free banking writing e cheque costs nothing.

"Until the capital costs come down significantly, or until free banking goes away, EFT/POS will not make commercial sense," says Mr Miller.

An outline of the computer communications services that could accompany the introduction of homebanking are laid out in a recent report to the National Economic Development Office.

The report includes a list of services that are already available in pilots or which have been developed by computer bobbyists.

"There is no doubt that by the mid-1990s there will be a whole new range of consumer services available. The question is how big will the market be?" says one of the reports authors, Ian Miles, e Sussex University lecturer.

For instance, the Prestel service in the UK provides e travel booking service, city information, private lines for company communications, a domestic mail service, a community link network, and homebanking.

In essence, the home television screen, nugmented by e computer, linked to e sophisticated telecommunication network could become the new marketplace.

By 1995, 34 per cent of UK households could be nsing some of these srvices, and by the year 2010 that could rise to 72 per cent, eccording to recent survey for NEDO.

On this reading, new technology will not threaten service workers but will become their saviour.

The massive investment required to get these services off the ground would generate jobs in the telecommunications companies who would lay the cables to link the systems together; the computer companies who would provide the hardware and software for people to use the system; and in firms gathering, storing and providing the information.

"The post-war boom was associated with the rise of new industries making mass marketed consumer goods like washing machines, televisions. These were the industries that made full employment possible; in the future IT could play this role," says Ian Miles.

But in practice the problems are immense.

The main one is the massive investment that would be required to instal a telecommunications system capable of carrying the information. It would be the infrastructure of the information economy in the way that roads are the infrastructure of goods economy.

French plans to instal a system with 1.4m subscribers by 1987 will cost £1.6bn.

Most experts agree that this would require a broad band ISDN system of cables linking homes and businesses. Most PTTs in Europe plan to instal these in stages up to the end of the century.

But according to a recent study of the developing videotex experiments in Europe the PTTs could make or break the systems.

"The lessons to be learned from the videotex experience are lessons about product innovation by a public monopoly," says Godefory Dang Nguyen, of the European University Institute in Florence.

"Videotex attracted the PTTs because it was technically simple and therefore ought in their eyes to be a success. What they were not aware of because they were not experienced in such matters were the prohlems of marketing their playthings."

A fourth issue is the link between being able to develop and nse the new system and making the equipment for it.

"The better we are at making the computer and telecommunications equipment the more advanced we will be in providing the services, and that will give us an international edge," says Rod Coombs of Manchester University Institute of Science and Technology.

The approach is misguided, says Margaret Sharp, editor of e new book Europe and the New Technologies.

"The key to Europe's capacity to compete lies in its use of new technology. Governments should not bow to pressures which they meet from many quarters to establish and protect across the board capabilities in all technological areas. They should buy in US and Japanese expertise," she says in her conclusion.

Office automation

The analogy with the consumer durables industries of the post war era suggest another fundamental requirement for the information technology revolution to get a grip. The spread of washing machines, televisions, fridges, was accompanied by a tremendous social revolution: people's way of life changed.

"The provision of new services will depend on social innovations of a similar scale," says Jonathan Gershuny of Bath University. "It will require a new approach to all kinds of things, shopping, learning, banking — the day to day detail of people's lives."

They are the most nbiquitous workers of the modern economy, in small businesses and multinationals, from British Coal to International Business Machines, from the Kremlin to the White House.

Office workers and the offices they inhabit will undergo enormous change in the next 15 years. The long process of office automation could come to fruition with local area networks and integrated communication systems linking word processors, mainframe computers, advanced copiers, facsimile machines and satellites.

"The traditional secretarial role could be obsolete by the end of the century," says e recent IMS report on office eutomation.

All this technological advance has been consistent with growing office employment, so why worry about the future? The evidence is that the latest wave of technical change in the office is different from past waves.

All offices essentially record, organise and transmit information, through the familiar currency of letters, memos, bills, invoices. Developments at all of these levels will transform office jobs.

Developments in data gathering and recording using optical scanning and even voice recognition could eliminate many routine clerical jobs. Faster processing and greater compnting power, allied with new software packages will make it easier to organise and recall information. Networking of machines, telephones, computers, remote printers will eliminate jobs in the distribution of information.

But the threat to office jobs does not just come from the technology which will be introdnced. According to the Congressional Office of Technology Assessment in Washington the delayed productivity gains from the first wave of compnterisation in the 1960s are yet to fully work themselves through.

"The latent prodnctivity enhancing effects of office entomation can be seen as water building np behind e dam. The dam is made np of institutional inertia and transition problems. Once that is broken through there could be a flood of workforce reductions," it says in a recent report, The Automation of US Offices.

There is no doubt that office employment does present a large target for labour saving technology to aim at. White collar employment in general and office employment in particnlar have grown enormously in most industrialised economies since the 1950s.

Throughout the OECD white-collar employment grew by 45 per cent during the 1970s, whereas general employment grew by 6 per cent.

Much of this expansion has been associated with the growth of female participation in the labour market. In the UK, one-third of women in employment work in offices.

The growth of white-collar work has been associated with the shift away from manufacturing toward services. But office employment has grown substantially within manufacturing. Office costs in UK companies rose from 20 to 50 per cent of overheads in the last 20 years, according to the Institute of Manpower Studies.

So companies may have a strong incentive to automate.

The impact of office automation, bowever, depends on the uncertain interaction of two elements. On the one band smarter office machines, organised to work together more efficiently with less human input will save on labour. For any given level of information its likely that less and less lebour will be required. But it is possible that the demand for information may go np, as technology makes it cheaper to gather and organise.

Several American studies have tried to project the impact that office antomation may have on future levels of office employment.

The Bureau of Labour Statistics forecasts employment in managerial, technical, professional and clerical occupations to increase by 28 per cent by 1995. Within this growth some occupations like data entry and file clerks will be hard hit.

Tha Office of Technology Assessment's own forecast is thet office employment will grow alowly to the end of the century bnt decline quite sharply thereafter.

Many of the most exciting possibilities of office entomation come from the possibilities of networking. Desk-top computers, tied together by e telecommunications infrastructure could allow mnch work to be done eway from the office.

Home-based office work is limited. Only about 40 US corporations organise part of their work in this way, and there may be only 3,000 to 5,000 US new technology homeworkers. Bnt homeworking could grow significantly.

In 1974, British Telecom's Long Range Intelligence Unit identified 24 occupational groups with 13.6m workers who could be potential new technology homeworkers. American Futurist Alvin Toffler says that there could be as many as 15m American new technology homeworkers by 1990.

New technology will dramatically alter work throughout companies from the factory floor, to executive suites. The number of jobs throughout the economy may remain unchanged, but technology will twist the kind of skills required.

A recent OECD report suggests: "The new jobs will require more and different skills. In the absence of these skills we can see a mnch more considerable impact on unemployment than we are finding at the aggregate level."

Meeting the demands for new skills that technology throws up will be e major challenge for national and company training programmes.

Of course, the way that new technology changes firms' demands for labour, shifting it away from some skills and towards others, will depend on how the technology is introduced. There is nothing written into a machine that necessarily implies a certain set of skills will be needed to use it.

The effects are clearest however at a lower level in particular industries or firms.

A Manpower Services Commission report on technology and skills in British manufacturing highlights two areas where new skills will be required.

New management skills will be crucial, says the report.

"Management needs greater technical skills to be able to analyse the new equipment available and decide which is best for their firm's needs, and to develop suitable new products. Attempts to enter new markets often because of the possibilities opened up by changes in technology, have often revealed serious inadequacies in marketing skills."

Negotiating change with the workforce and reorganising work around the technology will also demand new industrial relations and human resources skills, say the enthors.

The other main area where new skills will be demanded is on the shopfloor. Instead of working directly with a machine to make e product there will be more work maintaining and checking that the machines are doing what they are supposed to.

"Tha more production is autometed, the more important it becames to prevent machines breaking down — or if they do break down the more vital it is to repair them and get them back into production quickly," says Peter Senker of the Science Policy Research Unit.

Experience with numerically-controlled systems show that faults can occur anywhere: in the system, or in the parts being processed. The complexity of computer-cootrolled machinery creates an urgent need for multi-skilled workers who can both diagnose faults and repair them.

Another study of automation in British manufacturing concludes by suggesting that several types of new worker will be required in factories of the future.

Craft technicians who are fully trained in a range of skills like electronics, hydranlics, and diagnostics; systems craftsmen who can understand the integrated plant as a whole; machine specialists who know everything about e complex piece of machinery like e robot; cross trades and dual craftsmen who have added to their existing skills.

All these new trades will require general computer skills. According to a recent EEC report this will be crucial to the smooth diffusion of new technology.

"Manufacturing automation does not only call for sufficiently qualified computer scientists. Of much more importance is the generalisation of computer knowledge in all trades relevant to running an automated plant. It will be in this latter field that major efforts will have to be made in training and education."

Just as opportunities for multi-skilled craftsmen may expand, those on tha bottom rungs of the skills ladder may fall off.

A Policy Studies Institute study found that 34,000 manufacturing jobs were lost between 1981 and 1983 through the introduction of new technology. Of these 26,000 were unskilled jobs.

Two major studies of likely future effects of eutomation in the US car industry confirm these findings. However, the studies differ over the magnitude of the changes.

One shows that increased use of robots could displace as few as 1 per cent of the workforce, and indeed could be consistent with considerable employment growth. Nevertheless, the semi and unskilled sections of the workforce will be badly hit.

Allan and Timothy Huot, from the Upjohn Institute for Employment Research estimate that 15 to 20 per cent of welders and 27 to 37 per cent of painters could lose their jobs.

Inside Ford

A similar study carried out for the US Department of Transport predicts that by 1990 the US auto industry will be using 22,600 robots (an increase of 2,122 per cent over the decade). This will create 6,200 skilled jobs and eliminate over 73,200 semi and unskilled production line jobs, if output remains unchanged from 1980 levels.

"Taken together and without considering any employment gains expected for other reasons, robots could conceivably eliminate 6 per cent to 14 per cent of all production worker employment in the auto industry from 1980 levels," says Bruce Allen, of Michigan University.

The 14,000 robots that General Motors plans to instal in North America by 1990 implies e 28,000 job redction. All of this will be handled by natural wastage. The company expects 97,000 workers to leave the industry by the end of the decade.

And as Mr Allen notes: "There is no data on the number of jobs that would be lost if automation were unable to meet the competition of imported vehicles and foreign parts sourcing."

So it seems that new technology could pose e major threat to future levels of employment because it will creete jobs that workers are not trained to do.

"It appears to us that there will be considerable retraioing required if full employment is to be guaranteed," the OECD concludes.

The French Bureau d'Information et de Provisions Economique estimates thet one worker in four will eventnally need reskilling as a result of technical change. The West German Federation of Mechanical Engineering suggests that a quarter of e million workers will need retraining by 1991.

For the multiskilled workers, with new responsibilities, life ou the shop-floor may become more attractive. But the OECD predicts that for others life will be much more gloomy.

"Unskilled new entrants will find fewer joh vacancies, this will tend to particularly affect women and the young unskilled. The older worker whose skills have become redundant may also suffer relative to the young entrant who is more trainable.

"Thus not only does the large shift in skill requirements indicate that major training and retraining will be required but it also suggests that unskilled new entrants, the older worker and women may suffer particlary and unemployment may well be concentrated in these categories."

The familiar images of rohot prodnction lines, overseen by a few men in white coats, suggests new technology mainly affects shop-floor workers. It is their jobs that will change, they who will need retraining.

The image is totally misleading, says Ron Shepherd, Ford UK training chief. At Ford new technology is changing skill requirements throughout the company, from shop floor operatives at Dagenham, to senior exectives et the company's Warley headquarters.

"The new pressure on skills is not from individual changes in the production process, like the introduction of a robot. It comes from the automation and computerisation of the process as e whole. We are moving into an era where the control and organisation of tha system will change, and that requires new skills throughout the company," says Mr Shepherd.

Operatives: In future there will be fewer operatives working on machines, and those that remain will have a much higher level of skills. Modern operatives will be more like the craftsmen of today. They will have to be able to nnderstand computer data, diagnose faults, carry out statistical control analyses.

Operative work will move eway from simple rontine short cycles, at a single machine, to longer more complex processes, involving several machines.

"Semi-skilled operatives will more and more be a thing of the past," says Mr. Shepherd. It's clear that the car industry will no longer be a large sponge for semi-skilled labour.

Skilled Maintenance Staff: The craftsmen of the future will base their strength not on rigid demarcations between skills—electrician, mechanic—and more on multi-skilling.

Ford has just embarked on a massive retraining effort to upgrade about 4,500 skilled craftsmen over two years. Here new technology and skill training run into industrial relations: for the training to make sense unions have to be prepared to accept more flexible job classifications.

Professional Grades: Computer-aided design and manufacture are constantly changing engineering skills.

Designing products so they can be manufactured efficiently with new technology is crucial to containing costs. *Designing production systems so they fully utilise microelectronics is also crucial.*

Supervisory Grades: The new technology is not just changing the content of work, it is changing the structure of working relationships, according to Mr Shepherd. As more responsibility is passed to the flexible, higher skilled workers on the shop floor so will the supervisor's role change.

His guess is that supervisors will be more facilitators than directors. They will not get the work done through resting on their authority and issuing instructions but through being able to motivate relatively autonomous work teams.

Management: The changes affecting supervisors will be reflected higher up the structure. Ford will move away from a pyramidic managemeut structure toward a much flatter organisation.

Mr Shepherd predicts spans of command will be wider and management will have to deal with a broader range of issues. "This means management training will have to be less specialised, we can't afford to have managers who are taught by operating within a specific branch of the organisation.

In the past, secure growth in stable markets meant there was e premium on planning skills, "Management was essentially extrapolating the past. In the future we will need much more strategic leadership skills, being able to anticipate change," he says.

Ford is hiring specialists in organisational development to plan the changes.

Human resources expertise in management will be crucial in the future, says Mr Shepherd, replacing the traditional skills of industrial relations and negotiation. This reflects changes in the organisation of work around our technology.

"The amazing thing is how an enormous old ship like Ford, with all its inertia, can change direction," he says. "There is no doubt that we have to at every level if we are to stay competitive with our rivals."

The impact on management

So the traditional industrial relations framework, and the interests of unions and employers have been able to facilitate technological change. What is less clear is whether new technology will change the interests of managers and workers.

Such basic fundamental change, will most likely come not from new union leadership but from permanent changes in the organisation of work, according to Wolfgang Streeck of the Berlin International Institute for Management and Labour Market Policy.

"The question is whether work in the new advanced facilities will give rise to industrial interests whose representation is difficult or impossible to accomplish.

One possibility is that new technology will promote greater team working, with responsibility for production decisions being passed to autonomous work groups. While there are many different forms of team working, what they have in common is that they require authority structures, and payment systems that differ markedly from the established specialised division of labour.

The most advanced plans for team working have been developed by General Motors at their Livonia engine plant in Michigan, and in some of the European plants of its Opel subsidiary.

According to a spokesman from the Aspern engine plant in Austria, where 2,500 employees produce 300,000 motors and 420,000 transmissions each year, the company hopes team working will promote "significantly higher motivation and identification of our employees, higher machine utilisation rates, improved quality and on the whole higher yield and productivity."

The Opel team arrangement integrates previously separate areas of responsibility for quality control, maintenance, and production within a team. As a result, foremen and the authority that goes with the role are no longer needed. Teams can elect their own leaders, members actively participate in the selection of new workers, and the team has responsibility to make sure that they meet budgets which are set for them.

The growth of team working allied to new technology could undermine both traditional management and union practices. If teams had a great deal of autonomy and responsibility over day-to-day production matters, this may make arms length trade unionism less attractive as a lever over management. The teams would contain multi-skilled workers who would not fit easily into older established lines of union organisation. And the team itself would provide a point of collective action independent and possibly more powerful than the union.

But team working also requires a new approach from management. In the General Motors engine plant management still maintains considerable control through central monitoring of the machines, and budgeting. However, many middle management responsibilities would be threatened by the growth of responsibility on the shop-floor, and a more consultative co-operative approach would be required.

Not surprisingly, these obstacles in the way of team working have meant that several pilot projects have been abandoned. For instance a recent study of team working in Germany carried out by the International Institute of Management, found that the plant's works council rejected the idea because "autonomous work groups threatened its monopoly as representative of worker interests." So though team working may offer greater scope to workers, job rotation and the like — goals which unions have often pursued — they may be wary of workers taking on responsibility for productivity, product quality and the allocation of work. All these tasks are traditionally seen as management responsibilities.

And there are examples of management opposition. A report on automation on the Metro production line at Longbridge by a team of academics concludes: "Team working was not supported by many managers at Longbridge — it was seen as something imposed by head office that smacked of behavioural science and not relevant to those who considered themselves "hard men who know how to make motors."

Moreover, it is clear that there is no necessary coincidence between new technology and new forms of work organisation. One of the most technologically developed production facilities is the so-called Robogate plant run by Fiat at Rivalta.

The FT jobs poll

NEW technology will be e major force reshaping work in each of the major economies over the next five years, the FT/Gallup jobs poll shows.

How many firms will be using new technology?

Overall, 61 per cent of firms said they had introduced new technology in the past five years which has affected their employment outlook. *This ranged from* a high of 72 per cent in the UK, and 64 per cent in West Germany, to a low of 50 per cent in France.

In the next five years 45 per cent of firms plan to introduce new technology. Sixty-eight per cent of Japanese employers said they had plans to introduce microelectronics in their plants, 59 per cent in Britain, and just 16 per cent in the US.

New technology will not be as important in reshaping patterns of work, as moves to increase the efficiency of existing equipment. Fifty *one* per cent of employers said they had plans to increase efficency of existing capital, but this will have less of an impact on employment levels than the introduction of new *technology*.

Will new technology create as many jobs as it destroys?

Net job growth in firms using high technology will be 16 per cent, below the average net growth of ell companies of 20 per cent. While 45 per cent of the sample as a whole plan to introduce new technology, 64 per *cent of firms* expecting to employ fewer people in the future have plans for new technology. In Britain 77 per cent of firms projecting job losses have introduced new technology in the past five years.

Which jobs will be most affected?

The jobs most likely to be affected by technological change in the next five years are in information collection, and processing—with 39 per cent of firms expecting job losses here. British employers lead the field with 53 per cent expecting job losses in information processing. The other main areas where jobs will be cut through new technology are in stock control (23 per cent); production system control (22 per cent) and *machining, handling*, and assembly (15 per cent).

Will the introduction of new technology lead to other changes in the organisation of work?

There is no strong link between new technology and other changes in the organisation of work, like the adoption of " just-in-time " production techniques or use of multi-skilled workers.

Overall, 45 per cent of firms plan to introduce new technology, but only 34 per cent plan to employ more multiskilled workers, and only 20 per *cent plan to use just in time* production techniques. In Britain for instance 59 per cent of employers have plans to introduce microelectronics, while only 16 per cent have plans to *introduce just in time production*. However, 40 per cent of German firms plan to introduce just in time production, twice the ell country average.

Will the introduction of new technology generate skill shortages which will inhibit growth?

Overall, 24 per cent of employers anticipete thet the growth of their company will be inhibited by shortages of personnel trained to use computers and information technology generally.

Firms introducing new technology will be harder hit by this shortage, with 35 per cent saying that skill shortages in this erea will inhibit growth. Information technology skills are even more important to firms introducing just in time production, with 42 per cent of firms planning JIT anticipating skill shortages.

Are workers in some countries more amenable to new technology than others?

Only 21 per cent of firms who have *introduced new technology said that* their workers were against the change. Forty-six per cent said their workers were in favour, while 28 per cent said workers had no feeling either way. Japanese and *French* workers emerge as those most in favour of new technology, with 56 per cent of employers in both countries reporting their workforces to favour technological change.

However, the strongest factor influencing whether workers are in favour of new technology is the employment outlook of the firm.

How do firms plan to compensate displaced workers?

Only six per cent of firms planning new technology said they would not offer their workers any form of compensation. *The most popular method* of compensation is an offer of another job within the firm: 67 per cent of firms have used or plan to use this to compensate displaced workers. British employers show e marked tendency to use special redundancy payments to ease the introduction of new technology: 41 per cent said they had offered this, compared to 17 per cent across the sample as e whole. French employers however stand out for preferring to offer only minimum legally required redundancy payments. Forty-two per cent of French firms had used these payments to compensate workers.

Do trades unions inhibit firms from introducing new technology?

Trades unions do not have much influence over firms' plans to introduce new technology. Unionised firms make an average contribution to technological change. Non-unionised firms are not markedly more able to introduce new technology than unionised firms. Non-unionised firms make up 47 per cent of the sample as e whole, and 42 per cent of the firms planning to introduce new technology. A quarter of firms in the survey have more than half their workforce unionised, and 27 per cent of firms introducing new technology are heavily unionised.

Will the introduction of new technology mainly affect manufacturing or will the services be affected as well?

Firms in the service sector are as likely to introduce new technology as manufacturing companies. Forty-eight per cent of manufacturing firms plan to introduce new technology, and 47 per cent of service firms.

Services will play the leading role in the US and Germany; manufacturing in France and Japan, while in *Britain both sectors make an average* contribution to growth in the use of new technology.

Will employers increasingly shorten working time?

Overall, 58 per cent of firms plan to take some measures to shorten the amount of time that their employees spend at work. This ranges from a high of 78 per cent in Japan, and 76 per cent Germany, to a low of 25 per cent in the US. A shorter working week is the most popular measure, and will be pursued by 24 per cent of firms overall, 41 per cent in Germany and 35 per cent in Britain.

SAMUEL BRITTAN

A fresh look at pay and work

ONE OF the many ambiguities of the unemployment debate is about on whose behalf the prevalent concern is being exercised. Is it on behalf of the people who cannot find work, on account of the loss to their dignity and gradual demoralisation, as well as their having to live on the dole rather than on a normal wage?

Or is it n more selfish concern on the part of the 86 to 87 per cent of the working population who have jobs? Is it n resentment at having to pay not only unemployment and social security benefits, but to pay also for all the expenses of government for which the unemployed are unable to make n tax contribution?

Precise analytical distinctions may not be very apparent in the vague and guilt-ridden public anxieties of the moment. But they have to be pressed all the same if we are not to be landed with "cures" which may be worse than the disease itself.

The need emerges in relation to the doctrines of the new classical school of economists, who often express ideas which political Thatcherites entertain but dare not utter. Their diagnosis amounts to saying that some, most or all of the unemployed are in that state because it does not pay them to take a job. The remedy is supposed to include reducing benefit levels or making benefit more strictly conditional on proven efforts to find n job.

The thesis that I want to advance is that the new classical school is et least partly right about diagnosis, but wrong about remedies. No "ought" *proposition is implied by any* statement of cause-and-effect; and one is free to accept part of the new classical diagnosis without in any way endorsing proposals to harass the unemployed or make life more difficult for them. Indeed this will be one's position if one's concern is for the unemployed themselves rather than the loss to the other 86-87 per cent, or for the political embarrassment of the unemployment statistics.

But before going any further, something must be said about the controversies between the Keynesian school which blames unemployment on lack of demand, and the view of the British Chancellor, Nigel Lawson, and of some of the economists in international organisations, that unemployment results from workers being priced out of jobs.

In principle either or both factors can be at work. If there is a collapse in "demand"—i.e. in total spending, or Nominal GDP—one would expect a slump, with people losing their jobs. The most dramatic example was the Great Depression of the 1930s when the US national income fell by over one third. Lesser, but still severe instances, occurred in the US in the 1982 recession and in Britain in 1980-81, when there was e very sharp reduction in the *rate of growth* of Nominal GDP.

On the other hand, when demand, measured in this way, has been growing at the fairly stable and reasonable rate of 7, 8 or 9 per cent per annum—as it has been in Britain since 1982 (see table)—it is difficult to attribute unemployment to demand deficiency, even without the Chancellor's specific pledge to use his Medium Term Financial Strategy to counteract deflationary shortfalls in future.

Recent rates of demand growth would have been amply sufficient to reduce unemployment quite rapidly were it not for the fact that pay per head has been increasing with monotonous regularity by 7 per cent per annum or more; and thus *too much of the new demand* has gone into higher pay and prices and not enough into jobs and output.

The recent drop in inflation has been led from outside the British economy—by the fall in world oil and commodity prices, amplified for the time being by the decline of the dollar. Internally generated inflation is still rising at 4 or 5 per cent. Pay increases are indeed likely to drop by one or two percentage points as a result of the slowdown in the Retail Prices Index. But they would have to fall a great deal more if sufficient jobs are to be generated and inflation is to be consolidated at 3 per cent—let alone the lower headline levels in the 2 per cent range likely to be seen in the summer of 1986.

Incidentally, I now think that those who revived the pricing-out-of-jobs theory (myself included) made e mistake by *talking about "real wages."* It is much better to ascribe unemployment to inappropriate rate of pay or labour costs, without specifying whether these are real or nominal.

The one good point that the opponents of the pricing out theory make is that pay is settled in money terms; and that real wages, in the relevant sense, depend on the profit margin superimposed. But it remains true that if Nominal GDP is rising by 7 per cent and pay per head is also rising by 7 per cent, there is little room for an increase in output by more than the 2 or 3 per cent underlying rise in productivity, whatever happens to margins.

On the other hand, to insist on the rise of *"money incomes"*—as many Keynesians do—as the obstacle to high employment without runaway inflation, is to suggest an unlikely sort of illusion: that wage bargainers are more interested in paper symbols than in what wage packets are worth. In a money economy, pay awards are normally in money terms, which does not mean that people are indifferent to their real value, or will fail to react if their expectations are disappointed. Occam's razor suggests that we focus on the movement of pay or labour costs *per se*, without prejudging too many issues by putting in front the adjectives either "money" or "real."

Numerous econometric studies are quoted in this survey and I too am going to cite one which seems to give broadly sensible results. (*Wage Inflexibility in Britain*, A. Curruth and A. Oswald, Centre for Labour Economics, LSE.)

The results are:

- The responsiveness ("elasticity") of real wages to unemployment increases with the unemployment rate; bet it is still low (0.11) even at current rates.
- Internal pressures on a firm's pay—e.g. from a profits or liquidity crisis—can break through wage rigidity and even bring about nominal wage cuts; but extreme pressures are required.
- *The recession and shakeout* of 1980-82 were n big enough shock to lead to small cuts in *real wages*—via nominal pay rises slightly behind the "cost of living." There was a similar occurrence during the pay policies of the mid-70s. But as soon as output and profits began to recover, real pay started rising again, even though unemployment was still increasing.

Why did pay per head continue to rise by 7 per cent when inflation fluctuated around 4 or 5 per cent and registered adult unemployment was well over 3m or nearly 14 per cent, and continuing to rise since the big upsurge of 1980-81 by ½ per cent per annum?

The traditional answer has been union monopoly power, or some euphemism which means the same thing. It is not a sufficient rebuttal to say that workers priced out of work by union *power can find jobs* in the non-unionised sector, which now accounts for about 50 per cent of employees in employment.

The public services, which account for a quarter of all employment are almost 100 per cent unionised. Manufacturing, which accounts for another quarter or fifth, and where the big job losses have occurred, is still highly unionised. Men, whose employment prospects have suffered relative to women, are also more heavily unionised. If men priced out of work in the union sector were to price themselves into work outside that sector, many would have to crowd into relatively limited and unfamiliar occupations, where wages might have to fall to subsistence level or lower.

If I ascribe somewhat less blame to union pressure for our stagflation problems than I used to, it is not because of any of the formal arguments, but because of the very strong impression that it is employers rather than unions who have been making the running in pay awards in recent years.

We have to tread carefully here. The much publicised weakening of union power since the advent of the Thatcher Government in 1979 has been connected not only with new legislation, but a bigger rise in unemployment than even anything seen in the interwar period. We have yet to see how subdued union power would remain if there were a Labour Government.

Moreover, some actions which are apparently employer-determined—such as the pursuit of a highly paid, but small labour force—may reflect residual fear of unions or the decision to pre-empt their re-appearance.

The most ironical possibility of all is that employers offer high wage increases to "weaken unions," thereby simulating the monopolistic wage settlements that are among the objectionable features of union power in the first place.

There is, of course, an obvious if superficial reason why pay has remained so impervious both to low inflation and high and rising unemployment. The simple clue is the behaviour of profits. Even excluding North Sea oil, they rose by an average of 18 per cent per annum between 1980 and 1985, and by 11 per cent after allowing for inflation. The total cumulative real rise over these five years was well over 30 per cent and should reach 100 per cent some time in 1986-87. Non-North Sea oil profits (excluding stock appreciation) reached 13.3 per cent of GDP in 1985. This is not far off the 14½ per cent achieved in the 1960s—a proportion which will probably be regained this year. By contrast profits were down to 9 per cent of GDP in 1980—a very similar proportion to the low point of 1975. Profits have recovered from their deep depression and are now as high, as a proportion of national income and almost as high as a return on capital, as during the Golden Age of the 1950s and 1960s.

With profits rising twice as fast as pay, it would have been quite surprising to have seen downward pressure on pay settlements. Despite warnings about falling international competitiveness, employers en masse have found 7 per cent pay increases consistent with rising profits and rising output. These facts suggest that Ministerial exhortations to pay less run up against the fact that employers have been well able to afford the pay increases they have given.

Company heads are clearly maximising their utility by their pay behaviour; and included in their utility is not only corporate profitability and executive remuneration, but such gains as a quiet life, the ability to upgrade the labour force without having to introduce embarrassing *pay differentials* for workers who differ in aptitudes and attitudes, and to build up a loyal labour force with firm-specific skills.

Ministerial exhortation is in effect telling these company chiefs to concentrate not on maximising their own personal utility, but on more simple-mindedly maximising profits, at a time when profits have done quite well in any case.

It is a reasonable presumption *that, if companies are* paying more than the market rate for workers, that they could increase profits still further by paying lower wages and taking on more workers. But there is no suggestion that the gain would be very great especially if their competitors were doing the same thing.

A company which has already seen a real 30 per cent increase in profits, might have a prospect of gaining another 10 per cent or 20 per cent it if pursued more ruthlessly competitive pay policies, and these increases would not be without strife nor risks.

Ministers are in fact asking companies to be more selfish than they actually are—for the sake of the general good. This paradox—that altruists should behave as if they were selfish to give effect to their altruism—is inherent in the political economy of Adam Smith, but has hardly ever been properly expounded.*

The advice would be fully valid though paradoxical if there were some general consensus on who ought to own the profits which would be increased by the recommended behaviour. If the mass of workers take e pay cut for the sake of the unemployed, there would indeed be a shift in the distribution of the national income to the unemployed; but there would be an additional shift *from the bottom and middle* ranks of the already employed to the upper ranges who have disproportionately large holdings in corporate ownership, whether as direct shareholders, or indirectly through pension funds.

Beliefs and attitudes are also important in accounting for economic behaviour. Traditional opposition to large differentials between young and mature workers, or to differentials between high and low unemployment regions, are real obstacles to reducing unemployment. So is the popular hostility to "under-cutting" and the belief that the high wage employer is n good one and the low wage one a bad one, irrespective of employment effects. These beliefs are not simply high-minded mistakes. They reflect the self interest of the majority of workers already employed over both employers and fellow workers without a job.

We are moving towards a dual economy of insiders with well-paid secure jobs and outsiders who drift between ill-paid labour and the dole. (The dichotomy is, of course, over-simplified. It leaves out, for instance, prosperous "yuppies" who have the mobility characteristic of the casuals and the earnings prospects of the insiders or better. But the model remains useful.)

The insiders will not lightly surrender their privileges. Nevertheless, if some of the outsiders could take jobs et pay superior to what they can gain on the dole or in the casual economy, but inferior to tha pay of the established insiders, they would gain and the insiders need not lose. (This would be called in the jargon e Pareto improvement.)

The British insistence on the "rate for the job" makes a two-tier wage system difficult to establish formally. But the trend towards cheaper contract labour is an informal move in that direction. Professor Meade's proposed "labour-capital partnerships" are intended to combine the benefits of employee ownership and participation with e job-creating effect, by allowing new workers to be hired on terms initially inferior to existing partners.

The Weitzman scheme for profit-related pay, which has attracted the Chancellor, does in the last analysis work at the level of the individual firm by inducing insiders to sacrifice pay for the sake of outsiders who are hired. This is true whatever else the *ultimate* economy-wide consequences of e massive adoption of this type of profit-sharing.

Weitzman's critics are right to emphasise that existing workers will seek to influence hire and fire decisions to prevent this from happening. But rather than either throw np our hands in despair or fight a losing battle for managerial dictatorship, it should surely be possibla to permit for tax incentive purposes "new" recruits *not* to receive the profit-related element in their pay, until they have gone through e laid-down procedure lasting perhaps a few year's. Indeed, the Government should not merely permit, but encourage, such two-tier arrangements by this and every other method at its command.

* * *

Although every institutional or legislative shove which will encourage employers to price workers *back into jobs* will help, the actual evolution of pay remains puzzling. The persistence of high settlements is unlikely to be due just to misguided moralism. If it were, there would by now be more cracks in the wage facade. Some employers would have risked opposition to taking on larger, low-paid staffs; or overseas-owned firms would have made the plunge. Or the unemployed would themselves have priced themselves into jobs by setting up co-operatives or making use of the many sources of funds now available for new small businesses.

At the end of the day, one should try to take seriously the view of many employers that they *have* to pay current wage increases to retain e properly motivated labour force. If asked why they do not recruit any of the unemployed, the answer is rarely clear-cut. But it amounts to saying that the unemployed either do not have the right skills or attitudes or live in the wrong parts of the country.

There is much circumstantial evidence pointing in this direction. Vacancies are now well above the recession low and much higher than in some years in the 1970s when male unemployment was less than n third of its present level. Reported skill shortages also correspond with those experienced ten years ago when unemployment was much lower.

The entire additional rise in unemployment since 1981 has been in those without a job for over a year. The number of short-term jobless has actually fallen slightly. There has also been increased dispersion in pre-tax *earnings*, with the top ten per cent of wage earners rising relative to the norm and the bottom 10 per cent falling.

Meanwhile, the share of wages in the national income has more than lost the sharp rise of the mid-1970s. Labour productivity has returned to the growth retes of the 1960s while "total factor prodnctivity," which includes the contribution of cepital, has fallen. But despite the drop in union membership and restrictive legislation, the estimated mark-up of union wages over non-union ones remains several percentage points higher than in the 1970s.

This all adds np to me to e highly segmented labour market, with a large minority of workers demoralised from long-term unemployment or otherwise lacking in the skills, attitudes or geographical locations attractive to business. These *distinctions* help to rationalise the attitude of employers who side with their existing "inside" labour forces who prefer high pay to taking on "outsiders."

Wa are left with a large hard core of the unemployed, who can be broken up schematically into:

- Those whose earning power ("marginal product" in economic jargon) is so low that it does not pay them to move *from social security to a job*;
- Those who cannot afford to move to the prosperous parts of the country because of housing costs.

The existence of the first category is often denied by academic studies which show that few of the unemployed are, in the statistics, better off on the dole. These are usually stated in terms of "replacement retios," ie net income on social security divided by income in employment. *According* to the *Institute of Fiscal Studies*, less than 4 per cent of all households and 8 per cent of households with two children have replacement ratios of 90 per cent or more. The average ratios are over 80 per cent; and nearly 70 per cent for families with two children.

But these comparisons are inconclusive. Even if net income on social security is only 60 to 70 per cent of net income at work, it does not take much by way of earnings on the side, or do-it-yourself activities, or lost leisure and dislike of regimental working hours, to eliminate the gain from taking a formal job.

The second category of workers are deterred from seeking new jobs by the cost of new housing is less controversial.

Average male earnings in the first half of 1986 have been running at just above £210 per week. After tax, National Insurance, and child benefit a man with two children would take home a net £165 per week. On such earnings, a typical wage earner looking for a house in the south east would have to finance the purchase of a house costing on average over £44,500.

The typical mortgage on such a house is £39,400. Mortgage payments on a loan of this size would have come to a little over £55 per week net, after tax relief. If he needed a 90 per cent mortgage he would have to pay over £75 per week—or getting on for half his net earnings.

Mortgage interest relief seems to ease the problem, but ultimately aggravates it by driving np land, housing and interest costs. In addition, the cowardice of the Cabinet in rejecting even the gradual decontrol of new lettings makes the renting option extremely difficult.

The most promising way round the housing problem at present seems the "house price linked mortgage." Under such mortgages, the buyer pays much less annually, in return for sharing with the lenders the capital eppreciation on the property.

The customary formula is that half the rise in the price of the home, *when it is sold, has to be* made over to the lender. If he does not sell, there are special arrangements for payment on redemption of the mortgage.

This kind of mortgage on a £44,500 house would cost as little as £37 per week; and there are even "super" house price linked mortgages, on which the weekly payment would be only £28 to £30.

In contrast to earlier low-start mortgage schemes, where borrowers were deterred by the rising payments profile, house-linked mortgages have proved popular.

They are provided for instance by the Building Trust via Finance For Honsing, and by three or four other organisations. The bottleneck at present is that the institutions which ultimately provide the finance are hesitant, not because of the risk—the mortgages are insured—but because they are not easy to classify according to conventional categories.

Tha least that corporate executives, who beat their breasts ebout unemployment, could do is to lean on their pension fund managers to favour house-price linked mortgages.

But it would be naive to suppose simple reforms would solve all the problems. Property and land have always been expensive in capital cities from Imperial Rome onwards. High real estate values are providing signals that low-value-per-acre activities are uneconomic in the nation's economic centres.

A sufficient cut in the dole, or e more stringent enforcement of the work-search condition would undoubtedly force many

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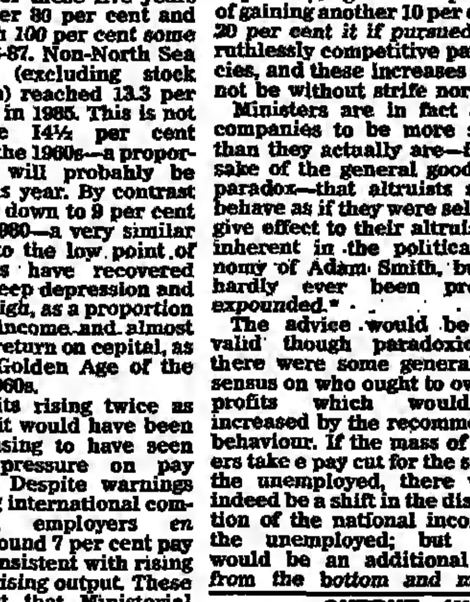
OUTPUT—INFLATION SPLIT: Percentage increase on previous year

	1981-82	82-83	83-84	84-85*	85-86*	86-87†	87-88†	88-89†	89-90†
Nominal GDP	10	9¾	7¾	8¼	8¼	6¾	6½	6	5½
GDP deflator	10	7	4½	4¼	6	3¾	3¾	3½	3
Real GDP	0	2¼	3¼	4	2¼	3	2¾	2½	2½

* Adjusted for coal strike. † Treasury projection.



RICHARD LAYARD

No excuse for timid inertia

UNEMPLOYMENT in Britain is now as high as in the early 1930s. Yet for years wage inflation has obstinately refused to fall. This is the central dilemma of our time.

It means that, to reduce unemployment, we cannot simply stimulate demand. We must at the same time improve our ability to supply the extra output without more inflation. This means reducing the "non-accelerating inflation rate of unemployment" (NAIRU). So we must first understand why this has risen.

Some take the view that our labour market has just become more and more rigid through employment protection laws, union power and unemployment benefits. But rigidities have not exactly increased since Mrs Thatcher came to power. Yet unemployment has trebled since then. So unemployment cannot have risen because the labour market has become more rigid.

The truth is that we already had n rigid labour market in 1979 and then subjected it to a massive demand shock. The share of taxes in GNP rose by over four points (between then and now) and the exchange rate became greatly overvalued. The economy was not able to absorb these shocks, and unemployment soared.

To understand why it has not bounced back, we have to look at the form which the extra unemployment took. The number of people who are unemployed equals the number of people who become unemployed each month (the inflow) times the number of months for which on average they remain unemployed (the duration). At present roughly 375,000 people become unemployed each month and they remain unemployed on average for nine months—hence total unemployment is 3.25m. In 1979 and 1986 these figures were:

	1979	1986
Inflow per mth	375,000	375,000
Duration	3.3 mths	8.8 mths
Unemployed	1,250,000	3,300,000

So roughly the whole increase in unemployment has been in the form of longer durations. No extra people have become unemployed. This helps to explain why unemployment has not become a bigger political issue: the same number are unfortunate but they are just more so.

But it also helps to explain why wage inflation is not falling despite the huge level of unemployment. For, as Stephen Nickell and I have found, the long-term unemployed exert no downward pressure on wages.

A rival view is that inflation has stopped falling simply because unemployment has stopped rising. On this view (favoured by Blanchard and Summers of the MIT) there is no NAIRU and only changes in unemployment affect inflation. Blanchard and Summers believe that when unemployment rises this dampens wage pressure.

But once unemployment settles down at its new higher level, the unions lose interest in those who have lost their jobs, and press on wages as much as they ever did before.

It is important to sort out which of these accounts is right. For, if there is no NAIRU, we can in principle get unemployment down to whatever level we want and have stable inflation from then on. (Inflation will have risen in the meantime while we reduced unemployment.)

Nickell and I question this account, for one simple reason. The union-based story fails to explain why there are now as many vacancies (properly measured) as there were in the late 1970s, and yet unemployment has trebled. On the union-based story, once employment has been lost, unions do nothing to encourage the creation of new vacancies. So vacancies should stay permanently down. Under our story, vacancies can rise again after a downturn without a fall in unemployment precisely because the long-term *unemployed* have given up looking for work and employers do not want to hire them.

If this is so, it will be very difficult to reduce unemployment without a wage explosion unless a major part of the extra demand for labour is directed at the long-term unemployed. This is why the report of the all-party House of Commons Employment Committee is so important. They recommend that within three years there should be a guaranteed offer of a *one-year job for* all the long-term unemployed (out of work for over a year).

Their programme would provide something like 750,000 extra jobs. Many people naturally gib at such special measures as a way of getting the economy moving. But unprecented situations (with over 40 per cent long-term unemployed) call for unprecedented solutions.

Are there any other labour market measures that would help us to expand employment without running into wage pressure? Two stand out. First we should cut the tax on labour (employers' national insurance contributions) for those types of labour which are in excess supply. This means the semi- and un-skilled, who represent nearly half the unemployed and whose employment rate is four times that of non-manual workers. We know that these people are in genuine excess supply and not just lazy, because only 2 per cent of firms say they are short of such people compared with over 10 per cent who are short of skilled labour. So if we increased demand for the low-skilled we should not create any serious wage pressure. To do so we should cut NICs drastically on lower-paid workers.

But all this will not reduce unemployment enough. To get unemployment down towards the level of the late 1970s we shall have to have an incomes policy. The French experience since 1982 has shown how successful incomes policy can be (inflation fell from 15 per cent to 3 per cent). However since there is a NAIRU one needs a premanent incomes policy to induce n permanent fall in the NAIRU. The only plausible incomes policy that could be permanent is one based on tax penalties. The merits of profit-sharing as an alternative remain mnch more intangihle and unclear.

So mnch for supply-side measures to improve the working of the labour market. There is also the danger that shortages of capital might generate inflationary pressure bearing directly on prices.

Meantime our private nonresidential investment is forecast by the OECD to grow by *only 2¼* per cent next year. This means that we should not attempt a consumption-led recovery, generated by cuts in personal taxes. Instead we should supplement labour market measures by a time-limited investment tax credit offering accelerated depreciation to all investment undertaken in the next few years. It is a fallacy that cheap capital is bad for employment. New capital is good for employment.

When unemployment is as high as it is now, we must for a few years contemplate growth rates of the order of 4½ per cent per annum, such as we had from 1933 to 1937. This will require a temporary expansion of the budget deficit of the order of £5bn. When our debt/income ratio is otherwise set to fall, this is quite acceptable. US experience has shown the power of a fiscal deficit to create jobs, just as European experience has shown the power of a fiscal contraction to destroy them.

When we are surrounded by so much human misery and waste, available responsible programmes for non-inflationary growth, there is no excuse for timid inertia.

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4

TRAINING

Don't get sacked, get smart

DON'T GET sacked, get smart. It is the kind of motto that should be hung, the way they do in Japanese plants, above every production line and office area in the country. It is the injunction which has to be heeded by today's workers if they want to be workers tomorrow: and it is the motto whose adoption offers the advanced countries the best chance of not succumbing to a tide of developing world competition from the new industrial armies of the East. Training in new technology, new processes, new ways to deal with colleagues, new approaches to customers, new ways to get ideas from institutions to real life—training in new ways to train, indeed: working life is, for increasing numbers, more and more resembling an institution of higher education—just as they are drawing closer and closer to the world of work.

What is going is the assumption, common still to most adults above the age of 30, that education and training take place at the beginning of working life and last to the end of it, more or less. At Thyssen's Huller Hille machine tool plant on the Ruhr, the highly skilled workers are retrained *every year* for three or four weeks in electronics: Gunter Weigel, the company's vice-president, says that "the products are developing so fast it's necessary. We're spending more and more money on education every year."

"Training," says IBM UK's technical director Dr Geoff Robinson, "is now a continuing process. We have to inculcate an ethos of continuing educational and training change." IBM already has that ethos: 5 per cent of its employees are training at any given time.

This is common across all the advanced countries, all the advanced industries—though there is a significant difference as to who they train and when, and how much, and in what. But they all need electronic engineers and software people and cannot get them: they all want their *managers* to gain a range of skills, especially personal skills, which were previously "not their job"; they all want craft workers to be multi-skilled rather than one-directional, so they can look after the machines which do the work; they all want fewer simple operatives; they all want more professionals with their own training and then some more in the company's business—in short, they all want to, must, raise the cultural level of all the workers except those they think cannot learn, and those they want to dump. Paul Roots, Ford UK's personnel director, says: "We have had too many people doing too few things—now we want fewer people to do more, to upgrade their skills and responsibility."

Armand Braun, head of the Societe Internationale des Conseillers de Synthese, puts the dilemma of this last group poignantly: "We in Europe have a population whose degree of preparation for the modern world could be represented, irrespective of the age group in question, as—20 per cent ready, 20 per cent totally unprepared and the rest only muddling through. Are we then surprised when we meet widespread anxiety concerning the future and the individual's place in it? People seem disoriented, deprived of the old certitudes as they see unqualified work disappear before their very eyes."

Millions of working men were (are) proud of their physical strength: millions of working women, proud of their nimble fingers. When A. J. Sykes spent six months among Scots and Irish navvies (construction workers) in 1969 in order to find out about their working culture, he discovered a huge, competitive arrogance about how strenuous a job could be born, a carelessness over safety and health, and a delight in hardship and abrasive personal and industrial relations.

Now, the muscles and the quick fingers are a glut on the market: the British Occupational Study Group report, in its summary of the occupations needed and those not needed, emphasises the point: "operatives," the jobs which need the presence of a body, are on their way out in both the manufacturing and the services sector. The *only* defence is to move up the skills ladder—though for older workers, who have ingrained in them the rhythms of, say, foundry work—where bouts of intense physical activity are interspersed with rests—the light but continuous work on a line, or the complexities of keyboarding skills (which they may have permanently dismissed as "women's work") are hard, or even impossible, to pick up.

Cesare Annibaldi, Fiat board member for industrial relations, recalls the creation of a plant at Termoli, in the Mezzogiorno. The company installed 1,000 robots and transferred workers from older factories. But it took up to 10 months training for the older workers to get used to the systems. Mr Annibaldi instances two problems: first, the need to change working mentality from one of operating a line to controlling or supervising a machine which operated the line; and second, transforming mechanical workers or electrical maintenance workers into both—especially difficult, says Mr Annibaldi, in the case of the mechanical maintenance worker.

Raising training levels is not easy. How much is done by schools or colleges and how specialised do they become? How much is borne by the state, how much by the employer? How do you keep up standards when it is the easiest part of the budget to cut in hard times, as the UK found with the recession hit in 1980. How far do you train manual workers to take over what were white collar skills, how far the reverse? When do you decide children towards specialisation? What do you do with older workers who are in the wrong skill, or have none?

If any country did have the answer, it was reckoned to be Germany: it is the object of emulation by most of the advanced countries, and the object of continuing pride by the Germans themselves. Why?

German schools are more skill oriented than most. Entrance to the three types, main, intermediate and grammar (Hauptschulen, Realschulen and Gymnasien) is by examination between the ages of 10 and 12: school leaving certificates, the necessary possession for entry into any profession, are given by all three: some 10 subjects are studied, with an emphasis on minimum attainments in a core of these, all examined together in the final year.

For those who leave school to embark on training courses, the majority do so at 15 (when compulsory schooling ends): they then take a training course, in a company under a master craftsman; and are released one day a week to a vocational school (Berufschule) where both the vocational subject and general subjects are taught. Hence the so-called "dual system"—part on-the-job training, part continued schooling—for at least three years in all occupational groups. The system does produce a highly skilled workforce: the 1978 German household survey showed that two-thirds of the workforce had a vocational or higher qualification, compared with only one third in, for example, the UK.

Professor S. J. Prais of the UK's National Institute of Economic and Social Research and a proselytiser for the German system, says that "the important contrast with Britain is that for many decades there have been well laid out career paths involving graded courses, examinations and recognised qualifications for that broad middle section of the population which lies between, on the one hand, those who go to a university or otherwise enter a profession and, on the other hand, those who are unskilled." At least twice as many people in Germany have skilled worker qualifications as in the UK and in categories like office work and retail, where skills are rare in Britain, the difference is much greater.

Germany has developed an industrial culture in which the leadership groups—employers, unions, Government, commentators—support the training system not just formally, but actively: indeed, all now see it as a weapon against unemployment. Says Gustav Fehrenbach, deputy chairman of the DGB: "training people beyond the immediate economic need offers much greater future flexibility and the adaptability to make continuous changes in a person's occupational career."

Because these reflexes are already in place, the system is seen as able to respond to the demands of an information age which needs its human capital stock "smartened up" more regularly, and to fulfil a role explicitly seen as social, even moral, as well as technical. One (anonymous) employer told a researcher from the UK's Institute of Manpower Studies that "we see no fundamental change: we need continuity within which we shall be able to manage higher levels of personal and organisational flexibility. (The dual system) must continue to provide high quality workers to provide high quality goods and services, and help maintain a low crime, stable society."

The competence of the training system to tackle issues beyond the mere transmission of skills is understood by Dr Rosenmoller at the Federal Labour Ministry. "We do have to do everything we can to avoid the segmentation of the labour market into the highly skilled and the low skilled. This is one reason for a "qualifications offensive": we do our utmost to get people into the qualifications system.

This offers something of a contrast with the US and the UK, where at least until recently and arguably still, both employer and Government policy, or neglect, has tended to permit the development of a larger and larger "periphery" of unskilled and semi-skilled workers, often low paid and insecure, existing round a "core" of skilled or professional, secure and relatively highly paid employees. This two-tone labour market, whose supporters point to its great flexibility, is an object of some horror with Dr Rosenmoller, who characterises it as a "MacDonalds" labour market after the fast food chain which has a high turnover of young, translent workers tightly organised by line management. He says: "Wa need *more* qualified people, not less. In offices, now, for example, there is *almost no* demand for unskilled workers. Of course, the 'MacDonalds' labour market will continue to exist, but it is small."

All of this is expensive: Rheinhard Ebert, who heads the labour market division at the German Employers' Association (DBA) reckons that his members collectively spend some DM 30bn a year on their part of the training programme, and a further DM 10bn on retraining: that represents, he says, between 75 and 80 per cent of the cost. Public provision is focused mainly on the provision of teaching and school facilities by state governments, with the federal level supporting group training centres and special needs training. In 1980, the Edding Commission found the average annual gross cost of a trainee to be DM 17,043 — though the cost of an engineering apprentice was higher (DM 23,743) than a shopworker (DM 14,439). Also, by the end of the training period, Edding reckoned the apprentices were "worth" an annual average of DM 9,929 to their companies.

German employers grumble about *education* as much as their colleagues in other countries: the main burden of their complaints are often centred on what they see as the other-worldly, anti-industry attitudes *of German schools and universities*. The IMS researcher noted that "dissatisfaction with the higher education system is widespread ... Employers are uneasy about the quality of graduates, about the length of time students spend in higher education and about the lack of response to changing educational needs."

At Thyssen Industrie, Werner Bartels says that "during the past 20 years, the school system in Western Europe has deteriorated—there is too much education of people in the arts, and in theoretical disciplines. In our best technical universities, only 30 per cent finish their studies. In schools, they are not motivated to come into industry. They get a negative image."

These views are the product of industrialists who are also themselves educationalists operating something of a rival training and educational system to that offered by the federal *and state system*. German training has broken down the barrier that often separates business from higher education in countries like the UK, Italy and France, and which is the object *of furious concern* in these countries. But it has done so not just by creating strong links between governments and universities (these links are proving fruitful for companies like Thyssen) but also by *internalising* a large part of the higher or further educative function.

And like any public education system, it confers its own degrees and certificates. One of the many comparative studies done between UK and German training provisions found that, in similar plants, 14 out of 16 UK production foremen had no qualifications of any kind, nor served an apprenticeship; while in tha German plants, all 16 were cerificated craftsmen, 13 had passed exams as "meisters," or master craftsmen, and three were trying to become "meisters".

But it will work in the *future*: in particular, will it be able to *meet the twin challenges of the* rapidly growing demand for information technology skills and the need, because of the rapid falling away of the supply of young workers, to train and retrain older workers in unfamiliar skills? Hans Gert Woelke, whose board level personnel job puts him in charge of all of this, sees the skill needs bubbling up from his companies' divisions and subsidiaries on every side. He confesses to "a lack of flexibility in the training system"—and grumbles mildly about union resistance to change, and the immobility of German workers: once trained, they resist moving to where their skills are most needed. Electronics is the sharpest challenge: "We have to give our employees different attitudes in looking at electronics. The attitude was to avoid it at all costs because it was seen as a job killer."

At Thyssen Industrie, and at its Huller Hille subsidiary, lack of skilled workers is one of tha largest production bottlenecks. Mr Bartels says: "It's a great constraint. We're moving the production of machining cen*tres to plants in the south*, partly to be nearer to where the skills are. We must have changes in the education process because we just can't get enough skills." A recent survey by the Prognos *research* group showed *that*, over the past decade, some 80 per cent of the workforce would need *some* training in information technology—where only 5 per cent now had it.

"*Before the present*," says Dr Rosenmoller, looking down at it from a Federal Labour Ministry office in a quiet Bonn suburb; "you could depend to a large extent on the intergenerational changes: when grandfather retired, father continued in a little different way and the grandson coming in learned new techniques. But now, it's train, retrain, every five years: the barriers between work and training are no longer rigid."

The strain of shifting resources and skills to new areas is clearly causing the system to creak. But not to break: it remains both a model for others and a perceived success on the part of its participants. It has still much going for it: especially, perhaps, a belief in itself.

The German Way

Wa keep returning to the importance of *culture*. Any training or educational system depends on social relations and assumptions both in industry and in society generally: the structured training patterns, respect for qualifications and for enthority, an industrial ethic which stresses quality and "engineers" it rather than "inspects" it retrospectively, managements whose responsibility for the moulding of human capital is assumed and (generally) not regarded as intrusive: all of these characteristics are to be found in Germany—and in Japan.

Japanese companies share with German companies the characteristic of internalising the educational functions which, in other states, only exist outside the factory gates. Any *training system naturally transmits* a company ethos as well as technical information: in Japan the transmission of the ethos is deliberate, constant and turned up to a high volume: it is probably more *important than* technical competence (which is seen as important). The intra-company exclusiveness, the corporate and collective identificaton, the sense of mutual obligation, of submission to a large, collective need—these values do not merely exist in Japanese industry, they are themselves "engineered in" from the outset of a company member's life.

Take Toyota, the world's leading car maker. Its guide to training gives a picture of a company where individual development is directly and constantly linked to corporate performance—"Toyota has a need to 'build' men to build the better cars the world needs ... in one form or another almost every Toyota employee continues to learn throughout bis entire working career."

"Human resources development" at Toyota has, of course, a motto: it is "creativity, challenge and courage," the "three Cs" which express "a sloughing off of conventional perspectives and concepts and exhilarating *personal* readiness *for* self development in anticipation of the demands of a new ara."

All antrants to Toyota—in common with other big Japanese companies—are trained as soon as they enter: from the outset, they find a mix of on-the-job training and structured education at institutes like tha Toyota Technical High School. From the outset, too, it is made clear what they are trained *for*—not to be car workers, but to be *members* of a company which is itself changing in response to internal needs and external pressures—"changes occur rapidly in contemporary society, and the information and knowledge gained in ordinary schooling is often insufficient to deal effectively with all working situations. The most important task for the promotion of future corporate activities is to develop personnel who have the basic abilities and adaptability for responding to change, who are highly motivated to work and can take resolute action."

All *employees* are urged to "pool their wisdom and continually strive to carry out improvements at the worksite." Self-starting is stressed: on-the-job training is seen as a cross between supervision and learning on one's own: each employee must "participate actively in management and have a strong motivation to work." At all levels, top company management, including the company president, lectures, demonstrates and exhorts: they also participate in the network of voluntary activities—quality circles, clubs, the "campaign to improve dormitory life" (in which some 16,000 Toyota employees live), study groups and language (mainly English) centres—which compete for the company members' free time. "The energetic approach by Toyota's top managers to education has continued to build a corporate climate that strongly emphasises the development of employee competence."

At Hitachi Takashi Kashiwagi, board member for labour relations, says: "The concept here is to make the best use of human resources." He is as critical as his West German counterparts, however, of school-level education, and is lobbying the Education Ministry to improve tha quality *and* numbers of students taking engineering and advanced electronics: like every other advanced country, Japan cannot get enough of these people.

At every *stage* of company *life*, Hitachi workers are trained and retrained, stretched and tested. Some 1,000 graduates are taken on from the higher educational system and between 2,000 and 3,000 graduates from the high and junior high schools: many go to the Hitachi Technical School, some to the Hitachi College, which offers a full-time, 15-month course of study for some 250 students at a time.

At Nissan, Futoshi Fujii is also concerned with a scarcity of electronics skills: so concerned, indeed, that he is doing the un-Japanese thing of employing other companies' workers to upgrade Nissan's skill levels. But more important is a traning programma climbing up a hierarchy or electronic and micro-electronic skills to fully trained status—with at each level a grade assigned on a cartoon-spiced chart which workers carry with them. Some 60-70 of the British workers who will occupy the key shopfloor positions in the Nissan plant in the north of England have been trained at the company's Opama plant—"they learn the jobs even better than many Japanese workers do," says Mr Fujii, with a becoming show of national modesty and civility.

Companies are likely to get *more* like universities, rather than less: Professor Kuwahara, at the Japanase Institute of Labour, says that "the educational system in Japan is not very flexible—the change of students into new subj*ects like* electronics is not adequate. We don't hava enough changes to adept to the changes. So Japanese companies will rely more and more on their own training systems."

The Japanese system, more than the German, depends for its obvious success on *the primacy of company and collective over civil society and the individual* in key respects. It is a radical, highly organised and energetic system: it is currently building men (and—a few—woman) to build better kinds of everything, whose flood through the world markets may be slowed by a higher yen but not halted. It is setting the standerd for production workforces; will it be, can it be, matched elsewhere?

Whether or not it can be *matched*, it is being *copied*: most of all in the advanced country with the best developed tradition of state-level planning, France. And though this tradition is often held to be inimical to local and company level developmants, it is now clear—and was clear under the previous Socialist administration—that the focus in training, as in much else, is changing in favour of the company.

And explicity too. Henri Guillaume, director of the Plan which underpins French economic, individual and social *strategy, published* earlier *this* year a visionary guide to French future: training was firmly located as central—and as lagging badly the two role models selected for emulation, Ger*many* and *France*.

Mr Guillaume points to an 80 per cent possession of a baccalaureat (high school certificate) equivalent in Japan, against 37 per cent in France: the report by the Commissariat du *Plan* on training (January 1985) says that the "industrial relations practice has for some time set in place in Germany a system of managing skill qualifications which is much more favourable to industrial dynamism than in France ... (in Japan), continuing training in large, medium and small enterprises, is not taken up as an obligation but as a necessity for the company's progress and for raisig wages."

Says Mr Guillaume: "Wa have to redefine job training to adapt it to *future* change, whatever the difficulty of foreseeing that. This presupposes a training system which is multi-purpose, multi-skilled, taking in whole "families" of jobs rather than specialising in a single craft—and, more generally, raising the qualifications level. Companies, in the public and private sectors, cannot tolerate the level of *skills training with which we've* been content in France to date—in contrast with the policies of West Germany—and which does not give workers tha capability to master the range of situations he must now confront."

"Permanent training is, from here on, an absolute imperativa, on the same level as research or investment. Indeed, it is tha first investment."

Mr Chevallier agrees: among the first of his innovations when he took over Moet Hennessy 15 years ago was to upgrada his employees' *skills*. "*The* pressures of quality, competitiveness and of being in the race means that you have to change the qualifications of your people all the time. This is so even in the *so-called traditional businesses* becausa they are no longer traditional. What we are seeing in our business increasingly is the marriage of technology with practical knowledge and skill."

In 1984, *Moet* undertook a wide-ranging reclassification of jobs while at the sama time introducing more intensive training programmes at every level—both aimed at adapting to the new production and office technologies which it was adopting, and which were changing the nature of much of its work. The company report's rhetoric borrows from the Japanese in its decription of this development: "The Moet-Hennessy group relies heavily above all on people, quality products and also on recognised principles of action which create the ambience, style and, in a word, the consensus necessary to the company's progress.

Mr Chevallier has linked to the company, either through acquisition (as Delhur, the tissue and bio technology company) or collaboration, centres of research and study whose participation in turn requires the company to raise its intellectual sights and standards.

"We now have to have people in research who are very specifically trained, and people at every level who are trained at technology. For example, the manager of a vineyard for Moet had in the past little training, and grew up in a family who were traditionally in that sector. Now, such a manager would coma from an advanced technical school."

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This most quintessentially French of businesses is now a science-based industry, which picks up techniques from the US—where it has large Californian wineries, and owns Armstrong Roses—and Australia, where it also has wineries. In these subsidiaries, says Mr Chevallier, "we had to rethink the process, because the climate was different and the people were different. These give us new ideas which are of use back in France. But the people back in the vineyards had to be trained in tissue culture. They had to rethink the whole process once again, to find new ways of improving the planting process and improving the immunity of the plants—but at the same time you must not lose quality."

Increased attention to training is now paying off—even in an industry as traditional and as buccaneering as the building trades. In France, as in the UK and the US, the trade attracts a high proportion of recent immigrants; in France, too, much of it is in the black economy, the French foreman typically retaining a "*caisse noire*" from which to disburse funds for non-declared labour. But it is a lot better than the British: an NIESR study shows that where output per French employee is 25 per cent higher than in the UK, output in construction is 33 per cent higher.

The study puts much of that at the door of a training system which is part of the nationwide "*certificate d'aptitude professionelle*," which commands broad respect in industry, and is similar to the German system. The system relies, too, on vocational schools for pupils between 14 and 17 (the UK had a similar system before comprehensivisation); a 17-year-old can emerge from such a school as a craftsman with a broad range of experience. The training cuts across trade demarcations, says the NIESR study, and "enables the craftsman to feel responsible for a whole phase of construction, and is likely to reduce defects arising from lack of co-ordination between successive stages of building."

The changing patterns

In West Germany and Japan, potentially in France, training has been and is being further developed as a tool of industrial and social progress, internalized by companies into their routine and continually stressed to be as important as, or more important than, any other business activity. In each case, especially in France with its "grandes écoles" producing business and political leaders (like Mr Chevallier), elites are produced, by design; in each case, especially the Japanese and German, workers at *every* level are also educated to a high standard, also by design.

Professor Sir James Dewar, in his presidential address to the British Association in 1902, said (superciliousness showing through the concern) that "it is in the abundance of men of ordinary plodding ability, thoroughly trained and methodically directed, that Germany has so commanding an advantage." It still does, as do others: it shows in many ways other than simply the skill statistics or the productivity per employee. But how do other countries respond? And is there time?

There is no question that they believe they must, with good cause, at least for Italy and the UK. In Italy, the number of apprentices entering industry declined from a peak in 1968 of 831,613, or 4.1 per cent of those in employment, to 554,451 in 1984, or 2.7 per cent: in Italy, as in the UK, a cause assigned to the falling away of the apprenticeship system was the relatively high wages paid to apprentices—though these fell sharply in 1984.

Besides apprenticeships, there are two parallel approaches to vocational training: the gaining of a vocational certificate or technician level certificate through study at school; or entry to a vocational training centre, whether public or private, municipality, religious order or trade union-run. The vocational centres are seen as lower status than schooling (leading to college: training is often abandoned, and little off-the-job training is generally given to apprentices.

In the UK, with a keen even masochistic sense of its relative decline, the problem is now endlessly rehashed. Here, too, has been a precipitous decline in apprenticeships and traineeships, from 346,600 in 1972 to 150,300 in 1983. Change has come: the two-year Youth Training Scheme aims to give every school leaver who wishes it a two-year practical training course, mainly employer-based (though there is evidence that the public sector is providing the bulk of jobs, especially in hard-hit areas—and that "training" can mean dogsbody duties). The Technical and Vocational Education Initiative has since 1984 inserted practical training into a school curriculum dominated by academic standards, even where the children are non-academic.

For adults, the Open University has for 20 years given a second chance to enter higher education, based in the home; for the past three years, the Open Tech has been doing the same for skills, and will by next year have some 50,000 customers.

Public provision, after initial apparent indifference by the first Thatcher Government when training provision went down very rapidly indeed, is not now the largest part of the British problem. John Cassels, director-general of the UK's somewhat ignored National Economic Development Office and a concerned advocate of more training, says that "to put it bluntly, it is that by and large, beyond what is immediately and visibly essential, industry does not yet much believe in training."

Mr Cassels has evidence on his side: a 1986 study by consultants Coopers and Lybrand for the Manpower Services Commission and Nedo showed what it thought of British industry's record by calling itself "A challenge to complacency." In a survey of 60 large companies, it found that "few chief executives had much knowledge of the training activities undertaken within their firm"; that it was often "viewed simply as a reaction to other corporate decisions" and that, worst of all, "training expenditure is ... not seen as an investment expected to lead to an identifiable income stream, but rather more as an overhead which can, like building maintenance, be reduced when times are hard ... the implied link between training and profitability was not often recognised."

Ford UK is far from the worst example: it may be among the best, indeed. But Paul Roots, conceding that too many workers did too few tasks, points up the distance the company has to travel from the multi-skilled, flexible worker which is already the tradition in German and Japanese plants—"we have," he says, "been unable to organise the work to fully draw out the skills and productivity of our people." The aim is obviously "Japanisation"—but it is a goal, not an achievement: "We want the future workforce to be lean, flexible about their tasks, skilled with better technical competence, able to work with direct supervision, so eradicating a level of organisation. We want to pass responsibility down the line" (more than an echo of the Toyota exhortation to "participate actively in management").

Barclays is also in the skills business: like Ford UK, it spends some £25m a year on training. It is part technology-driven: but is more than that. Barclays shows, like any big company aware of the need for training anywhere, that teaching a skill is no longer transmitting a piece of relatively timeless knowledge: it is, increasingly, training someone to be all-round smart and, in Barclays' case, nice.

John Kerslake, Barclays' general manager for personnel, says that while basic clerical skills are still important, and new information technology skills crucial, "the key thing is that people will have to be more rounded. Selling skills will be very important—being able to interface with the customer rather than sitting at the back of the office processing forms—moving more into the retail market, rather than offering a passive service."

He admits that "we cannot say what specifically people will be asked to do in the future—the crucial thing is flexibility. Product development is the common denominator of skills, rather than something about the process of banking." In moving into the packaging of financial services for its individual customers, Barclays is segmenting its market and ensuring a similar division of labour, as employees become specialists in pushing this or that package on this or that market segment. A far cry from the stereotype manager, alternately stern with the little huckslider and obsequious to the big depositor. Tomorrow's bankers are being trained to be nice to *everybody*.

Sophisticated Europeans, especially the British, used to sneer at the Americans offering college level courses in hairdressing or plumbing: it told more about what the sophisticates thought of their own hairdressers and plumbers as fellow citizens than about the Americans, whose educational system, catching up to 50 per cent of young people in further education, is still a source of strength for the economy.

But it has drawbacks. First, a large and growing number of children simply drop out or through the educational net. The result is that some 30m people, or 20 per cent of adults, cannot read, write, count or understand such concepts as insurance or banking. Their numbers are growing by over 2m a year. A 1982 Labor Department study found that as many as half and perhaps three-quarters of the unemployed are functionally illiterate: some 40 per cent of black and 50 per cent of Hispanic Americans come into this category. It is expensive: a little industrial coatings company called Vimasco, based in Nitro, West Virginia, found it cost $25,000 a year, or 15 per cent of its blue collar payroll—nationally, it's estimated to lose the US$6bn a year.

Since the US Department of Education issued a highly critical report—"A Nation at Risk"—in 1983, a fierce debate about the direction of American education has raged. In the course of it, all levels of the education and training system have come under the spotlight—especially those parts meant to fit the worker-to-be for work. Says Paula Duggan, senior policy analyst with the North East/Mid West Coalition—"Vocational education is in a mess: it cannot keep up with the state of the art in technology so its job specific training is often not very good. Surveys show that it does not increase jobs chances of getting jobs much."

Second, the training provision is extraordinarily fragmented, and often confusing. Programmes are operated at federal, state and municipal level, and there are a host of private centres. Some states—especially those with a relatively recent history of widespread industrialisation, as South Carolina, Oklahoma, Tennessee and Colorado—are promoting skills training which meshes with the needs of local companies: in Oklahoma, some 500 companies have made use of its "customised" state training facilities. But others do little. Education and training programmes for new workers cost the nation some $8bn annually, and the system runs 10,000 vocational schools, technical institutes and training colleges. But still skill levels do not match with the industrial competition (the Japanese).

Pat Choate, a senior policy analyst at the TRW Corporation and the pushiest exponent of training in the country, points to the example of 70001, the employment and training institute which has had an 80 per cent success rate in placing its unemployed, unskilled clients in jobs. "If a significant number of hardcore unemployed youths are to find jobs, locally operated institutions must match trainees with potential employers," says Mr Choate.

In the US, as in the UK, France and Italy, quality on-the-job industrial training is done by big companies, who spend some $30bn a year on it. Mr Choate says that the galloping needs of changing production, and the shift to services, will mean that the state must shift its incentives to invest from plant and technology to people—"For every dollar of incentive the federal government offered for investment in workers, it provided $3,200 for investment in machines and technology."

Increasingly, business is reaching out to try to improve the training level of its workers before they come inside. In Boston, the business community has entered into an alliance—"the Boston Compact"—with the education board to link company donations with improvements in the quality of school leavers' education. Government is encouraging these links: the Joint Training Partnership Act allocates funds to school programmes teaching occupational, work behaviour and labour market search skills, using computerised self-learning programmes—these are now available on some 130 sites nationally. One idea whose time may come: an individual training account, into which employer and employee both pay, which provides money for training and some sort of insurance against redundancy.

One of these big companies is Ford. Its management and unions looked over the abyss in 1982. More than 50,000 workers were laid off, and the company was reeling from the blows of the "back to back" recessions. In March after 13 days of crisis negotiations an agreement emerged which many think was the turning point for the company.

The wage pause and profit sharing caught the headlines but underpinning both was the new Employee Development and Training Programme. It was and remains a concrete example of both sides' commitment to co-operation.

The programme is run jointly at a national and local level by union and company representatives.

The initial aim of the scheme, funded by a five cents per hour worked contribution from the company, was to retrain these laid-off workers.

"We recognised that the scale of the lay-offs meant that we had a responsibility to those workers and the economy that they were going into to train them—a responsibility that goes beyond the interests of the company or union," says Ernie Savoie, head of labour relations planning.

Since then 11,000 laid-off workers have gone through nine regional training centres. More than 70 per cent have got jobs afterwards.

By the end of 1983 the emphasis shifted away from managing lay-offs and towards training the employed workforce. Specific job training, driven by the demands of new production processes, continues. The EDTP provides workers with the opportunity to learn broader skills.

So far, 10,400 Ford workers have taken up a grant of $1,500 to cover tuition fees; 8,800 have gone through special technical courses, 2,400 on mathematics and English courses, and a similar number on a special pre-retirement programme.

"We need a workforce with a good general education. Shop-floor workers will have more responsibility so they need to be good at problem solving. They will work in teams more so they need communications and interaction skills. And we want to involve them in the business more so they will need to be able to understand the broader business scene," says Mr Savoie.

The initial focus of the programme may have to be overcome. Over the next four years, Ford plans to cut its white-collar staff by about a quarter.

Initially the programme may have looked like a special payment to the unions to persuade them to accept rationalisation. But the company has returned to profitability and according to Peter Pestillo, vice-president for labour relations, the company remains committed to fund the programme.

"If this money were spent on wages it would be wasted—it really does not make that much difference to our employees' pay packet. It's much better spent on training."

In January, a new television station started transmitting in the US. From a small, technically sophisticated studio in Armonk, New York IBM began to beam out training courses to employees gathered around TV sets around the country.

The studio is part of a $60m Corporate Technical Institute which was opened last year. At the centre, like a small university campus, IBM technicians come from all over the world to update their skills in manufacturing technology, systems engineering, and quality control.

"Technical improvements driving down costs, and improving quality are what makes this industry hum so staying ahead in the technical field is crucial to us," says George Howie, director of technical education.

Thirty per cent of IBM's 403,000 workers are technicians, dispersed through every part of the company from research laboratories to the salesforce.

But the half life of technical knowledge in the rapidly changing information technology industry, is three to five years.

So between 12,000 and 20,000 technicians need retraining each year.

And the Corporate Technical Institute is like a technologist's playground. During the day the students, most on 10-week courses, can attend lectures in halls equipped with personal computers which double as TV screens. Any lecture can be videoed and transmitted to another room, or to anyone of the 205 bedrooms. There have all the normal fittings but come with a built-in personal computer which can communicate with any of the scores of terminals distributed around the building.

"A good technical image is essential to us if we are to attract the best people from universities. Technical people also have a loyalty to the profession outside the firm, so providing continuing education helps to keep them happy. And it helps us meet the challenges of change," says Mr Howie.

IBM goes to great lengths to simulate this academic environment. Tuition fees are provided for masters, and PhD research programmes, and the company even has 70 technical fellows with their own research staff.

The Corporate Technical Institute will be the hub of the training programme in years to come even if students do not attend courses there. About 11,000 employees are on site courses, and in future they could receive tuition from the Institute's TV station.

"But the possibilities of the system do not end there," says Mr Howie. "In future we could beam all kinds of company information to our employees from there."

Training in tomorrow's skills is not just getting the computer work-station manuals handed out round the offices, or sending the lathe operators on a basic computing course. It is engineering it in—into schools, colleges, training programmes and company life itself: engineering in the recognition that most working lives are being changed by information technologies, and that these technologies dictate new relationships and new concepts.

"We are still, says IBM UK's Geoff Robinson, "basing our concepts on the 19th century. As we move into an economy driven by services, we think in manufacturing concepts. *That's* what we have to educate ourselves out of."

The evidence is that companies are taking over more and more of this role, and that this will continue. The standard is being set by Japanese and German companies who are part workplaces, part teach-places. In this, as in other areas of the world of work, the state is either ceding ground to companies, or entering into partnerships with them, as the old confidence in state provision continues to falter.

Why IBM has moved into the universities

COLLABORATION with universities plays a crucial and growing role in IBM's corporate plans. Universities have traditionally been a source of highly skilled personnel, and research ideas. But more and more IBM is attempting to mould its increased investment in higher education in line with long-range corporate planning.

Since 1980 co-operative research worldwide between IBM and universities rose from 210 studies at 70 universities to 690 projects at 295; from a multi-year commitment of less than $5m to $127.5m today; from a fraction of IBM's sites being involved to virtually every site in North America, Europe and Japan co-operating with a local university.

In 1985 the company donated $71m in separate grants to support faculty and curriculum development, research and teaching programmes.

The rationale behind the higher level of investment is quite clear. The company fears that without it universities will be unable to keep up with technological advances in industry, and will be unable to provide it with graduates trained in the latest techniques.

"Industry simply must help the universities modernise their capability as a matter of its own future competitiveness," says IBM's chief scientist, Lewis Branscomb.

According to Mr Branscomb, industry has in the past led the universities into new fields, but cannot afford to do so in the future.

"In 1962, for example, just before IBM announced System 360 we had thousands of people working as computer scientists. But the first advanced degree in computer science was awarded the following year," says Mr Branscomb.

And the company faces the same situation today moving into new areas of research on materials processing, magneto technology and computer-aided design and manufacture.

"The strongest ties," says Mr Branscomb, "come from the universities' role as the source of industry's future employees. Because good education is rooted in good research it becomes essential for companies to help strengthen that research base."

A current example of where industry is leading academic research centres is magnetic information technology. Industry has taken the fruits of basic academic research, applied them and created a sophisticated technology that has outrun the postgraduate engineering curriculum.

"In industry this is a sophisticated area of technology where international competition is particularly active. It's a $17bn industry. Academic engineering will need a lot of support if it is to catch up and play any leadership role," says Mr Branscomb.

IBM has provided $3.75m over three years to establish a graduate centre for magnetic recording engineering at the University of California in San Diego.

As well as targeting funds the company has also run a series of competitions to promote research in engineering, design, and manufacturing systems design.

The first was a $50m programme to stimulate research in computer aided design and manufacture in more than 20 universities. This was followed in 1984 with a similar competition for $25m worth of grants for research in materials processing.

"The historic focus of materials engineering on bulk properties is clearly inadequate," says IBM's Mr Branscomb. "In the quest for lower cost and higher performance the scientists find themselves using new materials, metals, glass, ceramics in ways never tried before."

This multi-disciplinary approach is poorly matched to the departmental organisation of the universities.

On top of these programmes IBM also donates surplus equipment to university research departments.

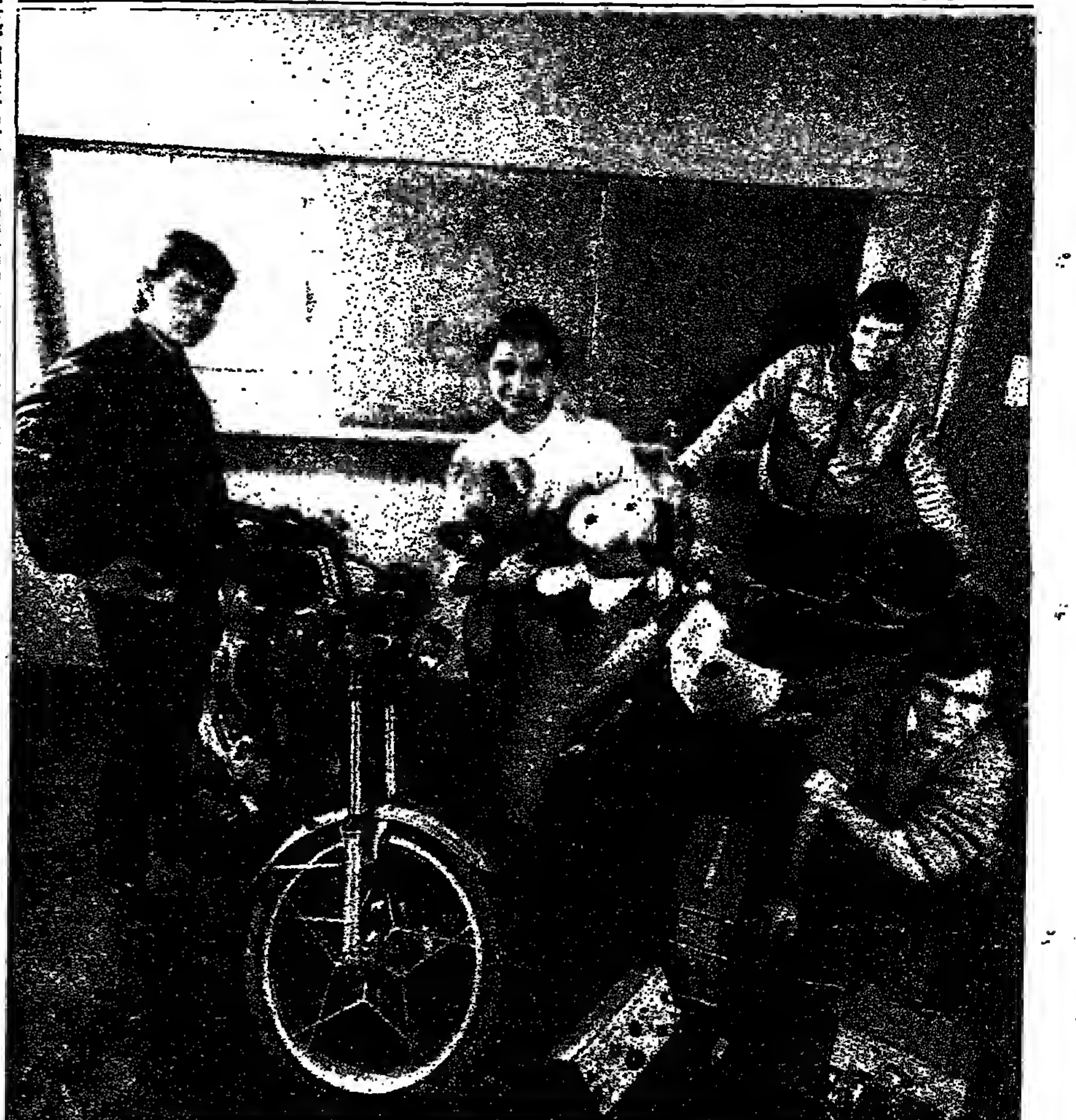
"This equipment is no outdated cast-offs but usually machines we have used in test labs but no longer need. Universities just could not afford access to it and it is crucial to us that research students should be able to work with the latest equipment," says IBM's director of technical training George Howie.

Allied to these investments in research and curriculum development are other grants to give IBM employees the opportunity to return to university.

In 1985 more than 23,000 IBM US employees took advantage of 25,000 grants to take up courses. Almost 3,000 took up a graduate work study programme, and 82 started three-year PhD programmes on full salaries with tuition fees paid by their employer.

The final strand of IBM's involvement is with minority education. Here IBM's focus is not on graduate research programmes but undergraduate and pre-college education.

Since 1973 the company has spent $15m supporting projects which promote career opportunities for women and minorities in science and management. In addition 600 employees have been loaned to universities and colleges to help with these programmes.



Glyn Genin

Welsh pupils involved in a training project sponsored by BP and the Department of Trade and Industry

The FT jobs poll

JAPANESE employers have a crisis of confidence in the country's education ad training system, the Gallup poll reveals. Every employer in each country said the secondary education system does not instill enough work discipline in young people.

Secondary Schools. Overall a majority of employers said they were satisfied with the qualities of the young workers they hired straight from school. In the US satisfied employers outnumbered the dissatisfied by 40 per cent, in France by 30 per cent and in West Germany by 25 per cent. In contrast 61 per cent of British employers and 64 per cent of Japanese employers said they were disatisfied with the educational standards of school leavers.

All dissatisfied employers said that school leavers do not have enough work discipline.

The next most important factor is lack of self motivation (61 per cent). The only exception to the general trends is in the US, where dissatisfied American employers mention basic skills as a problem, compared with a low of 30 per cent in France.

Technical Colleges. Overall 83 per cent of employers say they are satisfied with the skills and outlook of people they hire from technical colleges. In Japan, however, the satisfied outnumber the dissatisfied by only 9 per cent, while in the other four countries the margin averages 80 per cent.

Universities. Higher education gets a high rating in every country but Japan. At the top come US employers, with 97 per cent satisfied with the country's universities, followed by Germany (90 per cent) and Britain (86 per cent).

In Japan, however, 58 per cent of employers are dissatisfied. Low self-motivation and lack of relevant knowledge and skills are the most frequently quoted sources of dissatisfaction with university graduates. In Britain, however, over half the dissatisfied employers think graduates have an antipathy to business, compared with 25 per cent of dissatisfied employers elsewhere.

Government training programmes. These programmes get a lower satisfaction rating than universities or technical colleges but 64 per cent of employers say they are satisfied with their Government's training schemes. Satisfaction is highest in France, with 85 per cent satisfied, followed by Britain (61 per cent). In contrast a majority of Japanese employers are dissatisfied with their Government's training effort.

Across all countries, including Japan, 60 per cent of dissatisfied employers say Government-training workers need retraining on joining the company.

However, less than a third of British employers think that the Manpower Services Commission is doing a good job. A quarter think it does a poor job in the field of skill training.

Will skills in short supply will limit firms' employment growth?

In the five major economies 61 per cent of firms expect skill shortages of some kind to impede their growth, in the next four years.

Skills shortages will be most acute in Germany where 84 per cent of firms will be affected, followed by Japan with [illegible]8 per cent, and Britain with 60 per cent.

Fifty-seven per cent of West German employers expect a shortage of professional staff to impede growth, compared with a low of 20 per cent in Britain. More than half of West German firms will be hit by a shortage of traditional skilled labour, compared with a low of 1[illegible] per cent in Japan.

In more than a quarter of firms growth will be impaired by a shortage of staff trained to use computers and information technology generally.

هكذا من الأصل

5 MANAGEMENT

Incessantly destroying the old, relentlessly creating the new

"Creative destruction . . . the endless change that incessantly revolutionises the economic structure from within, incessantly destroying the old one, incessantly creating a new one."
Joseph Schumpeter

MANAGING destruction creatively has always been the name of the biggest game in the industrial town. The destruction of raw *human material* and the creation of disciplined workers; the destruction of raw inert material and the creation of finished products; the destruction of raw, diffuse data and signals and the creation of management information systems. See Ford's Rouge plant in Detroit for an archetype of a process which swallows raw materials of every kind through its huge maws and disgorges sleek Mustangs out of the other; an industrial Leviathan of vast, seemingly indestructible vitality. See IBM's omnipresent world empire for a multinational army of trained minds grabbing after information, trends, problems—and processing out solutions.

See the computer-controlled cellars of Moet at Epernay, east of Paris, for the scene of fermented grape juice management systems (known as champagne), en route from the chalky soil of the Vallée de la Marne to the executive plazas of Frankfurt and the City of London. See the executives of Barclays Bank trying to re-fashion customer conscious sales forces bursting to sell financial services out of retiring ledger clerks and shy accountants.

Destruction and creation, endless and incessant: the tempo of management becomes quicker and quicker as competition emerges from countries regarded two decades ago as subjects only for the National Geographical magazine; as money markets broaden and deepen and become more demanding; as shifts in the ways of work become more rapid and complex; as information becomes at once more essential, more available and more complex.

Pat Choate, TRW Corporation's senior policy analyst, has coined the phrase "high flex society" for the management and production style of our times (it is the title of a forthcoming book): he worries that the US is now losing its once-legendary adaptability, and warns that it "faces a future in which the shift to the technologies, production processes and management styles of the 21st century will proceed with few certainties and in an environment of fierce, often predatory global competition. The pace of change, already swift, is sure to accelerate, further reducing lead times for preparation and adjustment."

If management proceeds with few certainties, it also proceeds with more power, at least in most sectors of the advanced economies. The jobs massacre of the past decade has transformed employment into a scarce resource, and management (though its ranks, too, have been decimated) controls that resource much better than they did when it was more plentiful. There is more to adapt to, but more ability to adapt to it: John Atkinson, a senior researcher at the UK's Institute of Manpower Studies, says that recessionary and competitive pressures have *pushed management into a* more aggressive posture in seeking changes, and have "reduced the institutional constraints on affecting such changes largely through reducing industrial relations constraints, but also through a change in management attitudes."

Carlo de Benedetti, Olivetti's president, speaks of this change as one towards an entrepreneurialism which can and should exist *within* large companies. "In the course of recent years, too many entrepreneurs have become bureaucrats devoted to conserve what exists rather than create the future. We must give space to the entrepreneur in corporations, but also transform state bureaucrats into entrepreneurs to reduce costs, raise productivity and promote the new."

The pressures are many: underlying all of them, the need to adapt and accept new technologies, which means allowing computerisation and its leaping capacities to flow through our systems. Jean Jacques Servan-Schreiber, the polymathic French author and journalist, says that "computerisation is to an exhausted industrial society what the latter was to an agricultural society—a fundamental transformation, not only in the methods of production and consumption, but in the ways of living, in the organisation of the social fabrics, in the definition of needs . . . as is true of each major stage of social evolution, the tremendous difficulties of transition are dna to the rigidities of our mental structure."

But there are other major issues to which managers must turn their rigid mental structures. Manufacturing companies in the advanced world must shift away from competition which they cannot hope to beat because of the impossibility of lowering their labour costs to—say—the Korean or Taiwanese levels: and shift away in two directions.

Werner Bartels, chairman of Thyssen Industrie, is a doctor of engineering—not so rare in West German industry. In a recent learned paper for the journal ZFBF, he produced two graphs on whose importance he insists: first, reproduced from Servan-Schreiber's now outdated but fascinating work, "The American Challenge" shows the rapidity of technological change—it demonstrates that where it took over a century for photography to move from invention to use, it took only a matter of three to four years for integrated circuits to describe the same path.

Tha second chart, his own, is simpler but more urgent. It is a wide arc traversing three areas, the first, mass production of mature goods like TVs and cars: the second, batch productioa of intermediate goods, like machine tools: the third, one-off production of vary sophisticated, often large-scale products or projects.

The trick, says Dr Bartels, is how quickly you can evacuate the centre ground and how high np the extremes you can climb. He says: "Tho Japanese will, for exampla, look at a video camera, and say—how can we *mass produce this? They are* very often to be found on the mass production sida of the curve, high up. Increasingly, Third World countries will fill the gap in the middle: Brazil, for examplo, makes very good planes—Lufthansa has just ordered 12 of them. Wa are often on the high-tech side of the curve: for example, the frigates we produce are very complex indeed. It takes 800,000 production man-hours to make—and almost as many, 700,000, design man-hours."

On both sides of the curve is the highest of technologies: the insistent need for better systems, more automation, more sophistication in design and features.

Second, and related to the above, companies have to shift from producing things to servicing the machines that make, and servicing the customer who buys, the things. The shift from production to services is the best known labour market change of our times: *what is less appreciated is that the shift* means, as well as people doing different things, different people doing the same things, or the same people doing the same things, but for different companies.

The UK's Occupational Study Group report is a fund of information on this. In sector after sector—energy, process industries, engineering, light production, construction—the report showed that production jobs were declining as the companies in these sectors rationalised, and pushed more jobs previously done in-house into other, service companies, and thus into other parts of the service sector. It is a complex movement: for while many of the jobs created in services will be low skilled, others will be at the professional end of the spectrum, as accountants and data processing managers. The job of managing will become increasingly fragmented between highly paid and lowly paid—with the centre, as in Dr Bartels's production scenario, progressively being "hollowed out."

All of this requires one thing from labour: one concept which has come to sum up 1980s labour management: Flexibility—in manning, in job descriptions, in hours worked, in pay. Flexibility to imbibe and respond to new technologies, to get away from, and on top of, the competition, flexibility to shift into services and once there, to flex with the customers' needs and requirements.

Flexibility is seen, by governments and by managers as the goal which they must achieve themselves, and which they must prepare labour *for.* Flexibility in wages (see chart in macroeconomics section) is now being pursued by politicians of the Right and the Left, as they strive to reduce unemployment rolls by "pricing workers into jobs," and by managers as they seek to meet labour cost competition. It is the pilgrimage on which all managers are embarked.

The IBM way

There is no one way but IBM's way will be as broad as any. The world's (probably) Most Important Company has produced a corporate culture as all embracing as anything the Japanese have devised *within* that it operates ceaselessly on its peopla to keep them hopping. Sneakily, it uses care, consideration and kindness in this quest.

Says Geoffrey Robinson of IBM UK: "The new world of work is obviously o flexible one: but IBM and the Japanese companies and others don't conform to the pattern of peopla popping in and out, yet do get flexibility. Clearly it's not outomatic: you can get flexibility in different ways." In the US, the IBM parent company points one way.

In five years, IBM's revenue could be $95bn, by 1995 it could top $200bn. But such growth brings its own problems.

For many, IBM is the model employer, offering well paid, secure employment for its workers, all made *possible by a rigorous* system of planning and a big investment in retraining to ensure mobility within the company.

"The only way we can maintain security is by planning ahead, tactically in the short term and strategically for five years ahead. That security, our investment in our amployees motivates them. In turn that brings the profits we can use for retraining and relocation," says Ursula Fairbairn, IBM's head of human resources planning.

This basic philosophy will remain at the core of IBM's personnel approach. The impersonal planning system which grinds the ideals of amployment security into reality, paradoxically produces intense personal loyalty among IBMers.

And there is no doubt that this is crucial to IBM's continuing success.

In 1985 earnings per employee were $16,164, *compared with* $7,684 ot General Electric and $4,612 at AT and T.

The core commitment to maintain amployment, which was made an integral part of company planning in 1964, is bolstered by an impressive array of employee benefits. IBM spends $6bn annually on benefits or about $15,000 per amployee. According to a survey by the American Chamber of Commerco most companies provide around $8,000.

The IBM sickness plan, for instanca, pays full salary for up to 52 weeks within a two-year period. IBMers are ohle to hnild np onused leave indefinitely, though this has produced its own prohlems. Employees show no strong inclination to take it up: the firm owes its workers *17,000 years* of vacation.

One of the most innovative IBM programmes provides people about to retire with $5,000 for training in fields like property and investment management.

The second key olement is the rigorons two-stage planning system, which might best be described as a system of divide, rula and reward.

Each year Ursula Fairbairn draws np plans relating staff requirements three and five years ahead to profit and revenue targets. This then forms the basis of IBM's retraining and relocation programme.

In 1981 IBM merged three marketing divisions into two and created a new customer services division. Over 3,000 staff were redeployed to facilitate tho reorganisation.

Three years later, Big Blue closed its last remaining computer card plant in Washington DC. With other changes that year along with higher productiviy goals, a further 3,000 people were reassigned.

A recent appeal to employees at a Florida plant to take np offers of new jobs in different areas attracted 1,500 inquiries.

Recruitment is always below planned targets, and peak flows of work are takeo by temporary staff and contracting out.

But planning is also used to promote competition. Everything at the company is measured and evaluated. A regular survey of employee attitudes warns personnel executives of flagging morale. Everyone seems to work to quotas which promote competition between groups of reps to reach the coveted 100 per cent clnb.

Benevolence is based on stringent centralised monitoring of performance. Strange then that so many IBM employees should talk of the sense of individuality the company gives them, that their voice counts. A "Speak np Campaign" encourages employees to snhmit complaints or suggestions for improvement. At one plant, 278 workers submitted ideas that saved an estimated $1,784,552.

So IBM's planning in pursuit of employment security seems to create a benevolant circla of employee contentment and profits. To many it is o fixed reference point of good personnel practice. But can it last?

The system will come under a series of pressures in the next *few years.*

One is the sheer size of the workforce. IBM employs 405,000 worldwide, in 130 countries. In coming years as the company plans to grow with tha industry employment will also expand. As John Ackers, the chairman, said recently: "When you hire 20,000 people in a year that is a lot to begin to educate in your way of thinking and doing business."

A second pressure is diversity. From being a supplier of mainframe hardware to corporations, IBM is becoming a general information technology and services conglomerate. It is *moving into unfamiliar, more* competitive markets, which require new skills.

At tha momant, Miss Fairbairn can call np an analysis of the distribution of skills among the worldwido workforce by tapping the keys of her office computer. But she recognises that *will be increasingly difficult* and increasingly important in years to come.

Moreover, the move into new product markets has brought the closed company into contact with other corporations through mergers and joint ventures.

In his term as head of IBM, Tom Watson Jr, son of the company's founder, mada just ona acquisition. IBM's future strategy now relies on stakes in *the Rolm Corporation and* MCI Communications to challenge AT and T. And there are othor established joint ventures in software, consumer services (with Sears Roebuck) and financial information (with Merill Lynch).

This makes IBM dependont on pesonnel unschooled in and possibly antipathetic to the clear, consistent principles which guide its own peoplo.

The burden of size could also limit the monolith's ability to respond to changing markats. "One of our hasic heliefs is customer service. But to make sure wo deliver that we have to constantly to keep abreast of what is going on in the market outside," says Ursula Fairbairn.

Recently, tha company has set up independent business units to develop new prodncts. Further organisational innovation, to some extent fragmonting the clear company structure, *may be necessary* to stimulate entrepreneurship.

A final pressure is the most familiar to others hut perhaps not to a company which has 62 per cent of tho worldwide market in large computer systems. The compnter market went through e prononnced slowdown last year and competition *from the Far East is growing.*

"We have faced competition in tho past and won, and we will win again in tho future," says Fairbairn confidently. US car company executives in the 1950s probably said mnch the same thing.

The recent downturn in computer sales prompted the company to set np a *special* task force to manage "the largest redeployment of personnel since the aftermath of the oil crisis."

Once number one in the Japanese market, tho second largest, IBM has slipped behind Fujitsu and NEC Corporation. Japanese tie nps with American and European computer companies are increasing. Four mtilion low-priced computer printers were sold in the US last year. Eighty per cent of these cama from Japan, and Seiko which make the Epson plans to start production at a plant in Oregon.

IBM is not invinclhle in tha face of a challonge. Its smallest ever product the PCjr was lannched to disaster and production was halted last year despite continned company predictions of strong demand.

IBM is responding strongly: 200 executives have heen airlifted into Japan to strengthen the local operation. And to stop the disease spreading the company is Investing haavily in naw technology in its US manufacturing plants.

Despite a sales slowdown last year spending on new plant and equipment increased by a third to $6.1bn. Abont one third of the planned capital investment budget to 1989, of $45bn will probahly be invested in new technology.

New investments have modernised plants at Lexington, Charlotte, and Endlicott. At the Lexingtoo typewriter plant automatioo cut the human labour in each machino by 75 per cent. Three thousand employees were retrained.

"Throughont manufacturing we are having to retrain employees away from skills requiring dexterity toward computer programming skills. In tha future we are going to have to employ a different kind of person in our manufacturing plants," says Miss Fairbairn.

So it *is likely that* the interaction of the security of employment policy, and labour flexihility within the firm, will have to be even more prodnctive in the future, in the face of shifting competitive pressures. Most IBMers have a deep rooted confidence in the company's ahility to deliver. To Ursula Fairbairn the idea of reneging on the commitmont is inconceivahle: "We are here to make sure it does not happen, and it will not."

There is another way of trying to ward off managerial level ossification in big companies: it takes a leaf from tho small companies' book. There, the hero of the hour is the entrepreneur, the new frontiersman who creates jobs for others and wealth for himself by taking risks and putting his jndgmont on tho line.

And yet the major economies are dominated by large corporations. In many of these hig corporations management decisions are at best mado by an ordered, rigorous planning process. At worst they are the output of a high volume, white collar production line, aimed at the mass memo market.

How can the domination of the big corporations and their style of doing husiness fit with the new ethic of entrepreneurialism?

The ronte which several US corporations are treading is to stimulate "intranpreneurship." Simply to stimulate managers to become driving, risk-taking, imaginative antrepreneurs, within tho harness of tha hig firm.

- Tha West Coast clothing firm Levi Strauss offered employees a budget of $500,000 to develop new products. Six projects were funded and three resulted in products on tha market: flannol lined Winter Jeans, Levi's Maternity Wear, and Tow Horso Brand Jeans.
- Control Data Corporation, tha *Minnesota-based computer* and information services firm, has pursued a policy of helping employees to set np spin-off businesses.
- Gould Incorporated of Illinois has ancouraged employees to make business proposals which the company will halp to fund, and has also decontralised its management structure to dalegate more decisions to the operational level.

But perhaps the most striking example of the corporate innovator is Roger Smith, chief executive of General Motors. Mr Smith took over the oiling giant in January 1981, and since then has set about jump-starting the corporation.

Mr Smith has pushed a number of new ventures, which are intended to help re-energise the rest of the company through oxample.

The high-technology "Saturn Project" is aimed at devoloping new monufacturing systems, and the industrial relations and management structure to go with them.

The project is a laboratory for other ideas. In January 1985 when Mr Smith unvoiled the Saturn prototype car, he also nnveiled the Saturn Company, with its own dealer oetwork.

Undor Mr Smith's leadership GM has also reached out into new markets. Tho company has forged links with robot manufacturers Fujitsu Fanuc to form GMF Rohotics Corporation; acquired tho loading computer services firm Electronic Data Systems, and Hughes Aircraft Corporatioo which is pushing development of lasers and alectronic hardware.

He has high ambitions for the General Motors Acceplanca Corporation which provides finance for people huying GM vehicles.

"I do not havo any trouble seelng GMAC becoming the largest financial institution in the world. If they finance people's cars why can't they finance mortgages, checquing accounts and everything else?" he sald recently.

Critics have said that Mr Smith's approach smacks of "hrillianco unimpeded by humanity." But thore is no douht that he has had an enormous impact on GM. And tho change witl continue.

The Saturn project *still* has much to yield, hut Mr Smith also talks of a "Jupiter" and a "Trilby" to follow.

But perhaps the most important change is tho management shake-up.

A two-year examination by McKinsey and Company tho management consultants, found that pyramidic layers of management at GM had made managers' risk averse. In 1984 the company's fivo car divisions and its Canadian offshoot wore reorganised to pass more decision making to the operational managers, to reward the successful and root ont the unsuccessful.

The Japanese way

But what if the wholo weight of cnlture and tradition is hostile to such a strategy? Japan is, of course, the paradigm of tho "company-as-family" culture; and, far from the common Wostern perception of Japanese as emotionless inscrutahles, tho system depends far more than the Western norm on securing an emotional response, precisely of the kind that one *does* find in famllies (to Westernors, many Japanese company men *also seem* to ignore their *real* families In favour of their company ones). Professor Tadashi Hanami, Dean of the Law Faculty at Tokyo's Sophia University, says that "a Japanese company often refars to itself as an 'enterprise family' and to employer and employees as 'family members.' This *enterprise-family consciousness* produces a total commitmant by tha employee towards the onterprise. Howevor, this sentimental or emotional commitment is onrtured and reinforced by the welfare policy of tha anterprise."

Tho wolfare system is not so much an updated version of Victorian paternalism (whlch was often fairly meagre), as an internalisation of the welfare state. Companies provide health care, family allowances, honses, pensions, or lump sum retirement payments, secure school places for employees' children—even arrange marriages, with a manogor or company president playing the formal rola of go-between. In return, the company gets the flexihility which army commanders onjoy: they can post their employees anywhere to do anything—as Mr Hanami puts it—"It gives the enterprise greater flexihility to cope with the technological ehanges, the introduction of new prodncts, tha expansion of tho scope of husiness, and tha opening of new plants."

One cannot and should not get too starry-eyed: working for a Japanese company can often be no hotter than working for any other company, and their relentless collectivism now grates on the nerves *of the* younger Japanose, who hove ceught and value the West's individualism. "There is," says Yasuo Kuwahara of the Japanese Institute of Labour, "e narrowing of opportunities in tho company (because of the post-war baby boom) and much more interest is being shown in leisure, especially as the standard of living has gone np. The young generation don't have such strong commitment or belief in thier companies."

But so far, this is fringe stuff. At Hitachi's Tokai plant, only 10 per cent of the 110 managers (80 per cent of whom are onlverasity graduates) will laave over the next ten years: the rest will travel up to assistant managerial rank (after 6-7 years), to manager rank (in 15 years) and then where their abilities take tham, or do not. Those who do leave often simply recognise they are not making the grade, and go off elsewhere, sometimes to the small company sector, or to join the (massed) ranks of the 25 per cent of the working population which is self-employed.

Some, though—the high fliers, or the extra ambitious—do go to other companies, often subsidiaries of US multinationals, or the few US-stylo microelectronic and software companies. Tha US magazine Inc, in a report pointing to some dissatisfaction in Japaneso manage-

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ment ranks, quoted one Hisato Gotoh as leaving the electronics company Oki for a micro company because of conservation at top managerial level. "If they hope to be leaders in technology," Gotoh told Inc, "they need some radical changes at the big companies."

Mr Gotoh seems to be exceptional: the headhunting companies which have established themselves in Tokyo, mainly to serve the US and other foreign subsidiaries, find times hard: they resort to secret, conspiratorial meetings with the heads they are hunting: often, a tentative phone call will be brusquely refused, or the object of attention will loudly shout down the phone that he does not want to move from his company in order to impress his loyalty on colleagues within earshot. But Mr Gotoh's comment has the appearance of identifying a real problem: why does a structure in which company members move in a stately pace through the company to the accompaniment of automatic wage rises based on age and no fear of the sack not be hidebound, at least in some respects.

The answer is that it is in some respects. The individualistic software function is not suited to Japanese bureaucratisation, and as well as developing a ring of Silicon Valley-style companies, big corporations are creating new departments in which software engineers are placed and paid more than their fellows—a breach of the norm.

Professor Kuwahara at the Labour Institute links the pressures in the firm to the end of a "scale economy" in which mass production was the norm: now, as consumer needs diversify, the company's structure must also diversify, assembling new divisions to respond to the fragmented market signals, using more software to programme into production lines like those at Tokai so that the more discerning 1990s world market may have customised features on their Datsun saloons and Hitachi videos, says Professor Kuwahara: "Companies now find it more and more difficult to satisfy needs by mass production. It is like the elephant and the ant. There are now opportunities for the ants."

The pressures on Japanese companies, pressures which may disorient and introduce a degree of anomie in the country's self-disciplined labour relations, are growing. These include:

- Some signs of a stronger-than-usual push by unions for more unity in the fractured Japanese labour movement, and for more leverage over companies (see union section);
- The high yen, which will make exporting tougher and is already cutting the profits of the big manufacturers;
- *Foreign competition*, which for most Japanese means a South Korea "doing a Japan" on Japan with low labour costs, high technology plagiarised from Japan, a highly educated workforce and fanatically hard work. An (official) literacy rate of 96 per cent, an average work week of 57 hours, productivity increased by 40 per cent since 1980, the capture of the biggest imported car share in Canada, the low pricing of such electronics products as TVs and videos, the success of ships (14 per cent of the world market) and steel — Japanese executives and bureaucrats regard all this, and suck in their breath;
- The export of capital, stimulated by the high yen, placing further strains on the loyalty of a labour force which may see work needed to preserve its own full employment shunted overseas to preserve foreign markets. The age of Japanese multinationalism will also place great burdens on managing far flung labour forces with vastly different traditions: already, the American autoworkers are trying to get the reluctant Nissan workers union to press the company into unionising its new plant in the deep south.

All of these strains, together with the evident pressure for a more individualistic work style and a bottleneck in company recruitment, have been adduced by some commentators as reason to believe that the Japanese "miracle" is faltering. It is ultimately impossible to predict such a thing: but it should be said that the Japanese success is no miracle, but the product of evident hard work and rational thought.

It has what is seen by many as an added advantage: egalitarianism. Tadashi Nakamura, from his post near the top of the Labour Ministry, volunteers and emphasises a final point to his interviewer—"I believe that one of the most important things in Japanese society is that there are no big gaps between the lower and higher employee grades. This makes for a more homogenous society. If managers and others higher up the ladder said they wanted more than they get now they would be frowned on."

The Labour Ministry's latest survey on earnings (for 1983) bears out Mr Nakamura's point: at 22, when university graduates first join companies, they get a little less than skilled workers of the same age, a little more than unskilled workers. At 30, the differentials in monthly pay are very small, with the skilled workers holding a differential of less than 1.1 over the unskilled, and the managerial grades also differentiated by less than 1.1 over the skilled workers: even the largest differential, between managers and unskilled workers, is less than 1.2. At 40, the differentials have widened slightly to over 1.1 and nearly 1.2 between grades, and to 1.3 bottom to top: at 53, at or near peak earnings for all grades, it is over 1.3 between grades, and 1.8 bottom to top: the annual bonuses show larger differentials at all grades, but even at the 53-year-old peak, it is less than 2.5. This extraordinary closeness is unique among advanced capitalist states: Roy Sanderson, the UK electrician union's official who has done more to popularise Japanese-style labour relations in Britain than anyone, points to that, together with the tradition of long and deep consultation, as key factors in the system's ability to endure.

The German Way

It is different in Germany, of course: German yuppies have many fewer constraints about getting their own company and their Porsches, and German corporate managers are much more affected by the up and at 'em breeze in labour relations which blows from the West across the US and the UK. But the constraint imposed on managers by works councils, co-determination and a general social climate which still favours consensus is real: the German "company family" is not (under Western eyes) as suffocatingly close and exotic as the Japanese, but still supports and sustains its members and expects loyalty in return. German managers do not, officially at least, chafe at the system: they are generally anxious to be seen to support it, and to stress its ability to cope with change. Says Bernd Heinzemann of the employers' association: "Behind the structured German system there is a lot of flexibility. The question of working time is now being negotiated by both sides, for example: they are taking the average working week of 38.5 hours and seeing what flexibility can be built round it. We have a lot of practice in doing this: and the people directly affected can do this much better at the workplace than round the green baize tables of Frankfurt or Bonn."

Tony Hoskins of Manpower UK: the need for "days off without hassle." Ashley Ashwood

Mr Heinzemann's comments point in three directions. First, there is the direction of the consensus: the reflex of supporting the system-that-has-served-us-well. Hans Gert Woelke, at Thyssen, comments that "when small companies open up they must realise they have to live with co-determination. Of course, it has its drawbacks. But the new employer should engage someone to deal with these problems".

But second, when he indicates a preference for the workplace against the green baize of national forums, he voices what has become almost a cliche of 1980s management: the preference for company or plant level negotiations over national level, "political" (with or without politicians) deals.

Example: at Shell UK, where the workforce has been cut by 5,000 to 15,000 in the past five years — especially in oil refining, where the manning cuts, from 12,000 to 6,500, have still some way to go — nearly all decisions are devolved to local level: only the distribution workers have a national agreement. Brian Bowden, Shell UK's personnel director, says that this decentralisation of power is partly to make managers feel better. "In a downturn there are motivational problems for management. There are fewer promotion opportunities, so we need other ways to motivate people. Giving local managers some say over decisions is one way."

Naturally, differentials develop in pay rates for the same job: Mr Bowden says the differences emerge on a geographical basis, responding to local labour markets. This trend will continue. "It will be pushed forward as a new generation of managers comes up. Older managers were used to being constrained by the bureaucracy. They were not used to being asked to take decisions."

Professor William Brown of Cambridge University, one of the UK's most acute commentators on industrial relations, says *that the trend away from sector-wide bargaining* has been going on for the past two decades, with the general aim of gaining more control over the work process: there is no reason, he says, why the trend should abate: "As well as denying the trade unions a role in the determination of broad company policy, establishment bargaining makes it possible for the management to argue that 'capacity to pay' is all important. The recently *diminished* power of shop stewards has provided a fresh twist. With less to fear from comparability arguments between different establishments, there has been a tendency for managements to take greater advantage of local market and bargaining differences."

At Fiat in Italy, Cesare Annibaldi, the board member for industrial relations, sees a *flowing of power* to his middle managers as the rigid structure of Italian labour legislation bends and relaxes, as unions are forced to do the same — and, perhaps most importantly but frequently disregarded, the individual workers express different preferences.

Carlo Patrucco, the Confindustria's (employers' association) vice-president for industrial relations, says that in his own sportswear and graphic machinery companies, young workers who previously baulked at overtime and weekend work now ask for it. "There's a big change in attitude among the Italian young. They're no longer all after secure jobs in big companies, or in administration. They want more flexible working regimes."

In the third place, Heinzemann's example is not merely random: the negotiations over working time in German companies are one, *if not the* major arena within which employers in all the big industrial countries — with the partial exception of the US — structure their negotiations over flexibility. The German employers, early innovators in developing flexible working time, are now bargaining in a flexible working year, where employees and company negotiate mutually acceptable flexibilities round an individual's annual "hours bank".

France demonstrates, in a graphic way, how these negotiations are at once of national interest—and are yet, now, inexorably pushed down to local, company level for final decision. Back in December 1984, all the unions, with the exception of the CGT, agreed in national level discussions with the employers a protocol on flexibility within the legally set 39-hour week. It was broad: it covered flexible hours, redundancies, part-time and temporary working. But the national leaders were thrown over by their activists: the accord was repudiated: and no further attempt to resume the national level dialogue was made in the succeeding 15 months of the Socialist Government.

But the pressures could not be called off as the talks were. At plant level, companies and workers, including local level union officials on the plant comités d'entreprise", did agree flexible working, including hours worked on excess of the 39-hour week. "In other words," says Christophe Boulay, editor of a string of industrial relations journals, "flexible working came in, not from on high, but up from the base."

Attempts by the socialist Government to restart negotiations at sectoral level bogged down on the opposition this time, of the employers. Then, in the dying weeks of the administration, in January and February of this year, in bitter struggle against a Communist Party in the lower and upper houses, the *socialists managed to put on the* statute book a law which allowed a certain liberalisation in the statutory 39-hour week in a complex trade-off: employers could negotiate a period of 42-hour week working provided the average weekly hours worked in a given year did not exceed 38: or a 44-hour week period, providing average weekly hours worked in the year did not exceed 37.5. The Communist Party, and the Communist-dominated *CGT Union* saw it as an attack on the rights of the working class: the employers as a sneaky way to bring in an even shorter working week.

A new Government of the Right in power means different priorities (though not, in this area, radically so). Philippe Seguin, the Labour and Social Affairs Minister, has told the employers and the unions to negotiate a system next year on the issue—but has made it clear he will not defend a rigid 39-hour week, and that he wants local deals settled locally. Allied to this, Mr Seguin has also called for negotiations on a new measure which would abolish the regulations which presently force employers to seek official permission to lay off workers, and which is regarded by employers as a burden upon enterprises forced to make rapid changes.

The long running battles and parliamentary crises which have attended the moves show the head of pressure which can build up over the issue, as powerful movements at the base strain against an institutional and legislative infrastructure. But at company level, the changes get made.

The law is now a dead letter: a new Government of the Right has *different* priorities. Philippe Seguin, the Labour and Social Affairs Minister, has focussed on the administrative requirements to notify the Government of any redundancies a company intends to make as a block on efficiency, and has abolished them. He has further called on the unions and companies to negotiate redundancy and retraining procedures which could take the place of the old bureaucratic requirements, which he would then incorporate into further legislation. Some unions have said they will participate in the talks: but all are hostile to their aims.

The long-running battles and parliamentary crises which have attended these moves show the head of pressure which can build up over the issue, as powerful movements at the base strain against the institutional and legislative infrastructure. But at company level, the changes get made.

In the period of the socialist administration, changes *were* made within the 39-hour week restraint. Dominique Joss, an official at the Commissariat du Plan, found when surveying the company-level responses that while some companies simply reduced hours and did nothing more, others reduced them to 39 hours or even further and introduced changed shift systems to get added productivity; some reduced hours and in addition signed "solidarity contracts" with the Government under which they received subsidies for taking on extra workers (mostly, naturally, in expanding markets). Some were even more radical—"there are companies who are moving *in* the direction of 24-hour working, often in 12-hour shifts, to utilise expensive capital equipment more fully. We see this trend as becoming more and more important. Of course, 24-hour working demands new shifts and some of these are not socially comfortable—so there must be a trade-off in terms of time off or more money.

Etienne Crespel, a senior executive at the Compagnie Generale d' Electricite — electronics, telecommunications and power generation—says that the company's telecoms subsidiary CIT Alcatel reduced its workweek to 35 hours, and still had to lay off 300 people. It proposed to them that some may like to work part-time—"100 were prepared to do so and so we saved 50 jobs".

More radically, the Alsthom *Atlantique* power plant subsidiary, conforming to Ms Joss's perceived trend of using costly machinery for longer, asked for volunteers to work over weekends in two 12-hour shifts—for which they would receive full weekly pay and all the weekdays off. "We found that many of the people interested in working these shifts were students and people who were building their own homes. In such locations the investment is so high that it can only pay you if you work it all the time. This is a strong trend".

The impression managers now give—it is probably correct—is a vividly contradictory one. On the one hand, never has *planning* at the corporate level been so important: all big companies have groups and teams of strategists and policy analysts and futurologists, some largely relieved from line responsibilities, with the job of pumping *ideas and projects through* the company, feeding the top of the corporation with position papers. On the other, hand, never has the market, with all its vagaries and uncertainties, been *so* stressed as the guiding spirit of *corporations*: never have companies, even large ones, seemed, and proclaim themselves as being, so much like corks on a swirling, choppy sea. The paradox is very marked: the big corporations are *now* managing themselves more tightly than ever for an environment which is looser than any of their managers have known it.

In Britain's particularly choppy waters, the corporations with the size and scope to change are doing so as rapidly as anywhere. At Barclays, Britain's second biggest bank, employees in the UK, the market is being wafted through the corridors by *managers* anxious to meet it. "Change," says Peter Leslie, the bank's chief general manager, "takes a long time: but the pace is hotting up."

Like competitors, Barclays is now attempting to construct a *new series of relationships* with its clients: Mr Leslie says that the "key to the branch network will be cross-selling — that is, selling a variety of products rather than just a banking relationship — for example, a competitive savings account, standard loan packages, insurance products and getting increased interest in investment products like equities and wider share ownership".

Technology has helped: automatic dispensers take the mass-production side out of human hands, leaving staff freer to concentrate much more on selling to both corporate and individual customers—especially, of course, to the prized AIs whose wallet can respond to the packages proffered. Says Mr Leslie: "The ethos at Barclays will have to change: we have to concentrate much more on being a retailing organisation, where all the staff have some role in customer contact". Over the next two years, some 50,000 staff will have to be processed through the customer service training programme to achieve that change in ethos.

Geoff Miller, the company's general manager of finance and planning, says that "staff growth will be related to market growth—and the structure of the markets is driving technology change, and the need for more specialisation. We are now moving into the time of the specialist—possibly in some areas we'll begin recruiting people in mid career whose skills we need, rather than taking people in at the start and keeping them with us all through their career".

Labour markets

In a widely-noted paper given to the Institute of Personnel Management's conference in 1983, William Brown looked ahead to see a "Japanisation" of a British union structure which had long prided itself on its militancy and its independence. He notes that, in Japan, "the individual employee's obligation to flexible working is so great that the union's controls over the conduct of work are negligible ... insofar as British employees and unions are moving in a similar direction, their bargaining *is likely to* show similar tendencies. It will become more of a vehicle for innovation in industry. *But it will also become more the preserve of a new labour aristocracy*". (Our italics).

The spectre haunting manpower flexibility is the dual labour market: the creation of the core of stable employees, Prof Brown's new labour aristocrats, and round that core a periphery of unstable, temporary, short-term workers. One manager's flexibility is another employee's (or un-employee's) insecurity.

But structures are *now* appearing in the periphery which may mitigate, though not (foreseeably) wholly alleviate, the harshness of the plight of the temporarily employed. The periphery is organising: or *rather*, it is being *organised*. We are witnessing the growth of the manpower business.

One obvious sign of success: it is establishing itself in corporate Japan, where the Government has legislated to permit *companies supplying contract* labour to operate (under some restraint). In Germany, it often takes an ethnic colouration, with companies specialising in supplying Turkish labour for one-off manual jobs. Most exotically, *it is setting up shop* in the People's Republic of China, where the Government recognises that it must get non-domestically existent specialists to achieve the current modernisation. When the Nigerian Government wanted to computerise its electoral rolls, it sent the job out on contract—to London, where 300 contracted workers keyboarded it into shape. Worldwide, more and more people are working for *companies* who send them to work for *other* people.

Worldwide, three manpower businesses compete for the booming trade: Manpower, which claims to be the largest, with branches in 33 countries and headquarters in the US: Adia, Swiss-based, with subsidiaries in the US and Western Europe (Alfred Marks is a UK subsidiary); and the US Kelly Girl.

Mitchell Fromstein, Manpower's peripatetic president, says that his research shows businesses become increasingly committed to the core/periphery duality—"this ring of temporary workers will allow a firm to cover itself during work *overloads and special* projects as well as during employees' vacations, illness and special leave of absence. That's where we come in."

He is coming in strong: Manpower's worldwide growth is around 30 *per cent* a year, and sales *stand* at over $1.5bn. In the UK, the growth is even stronger, up from sales of £16m in 1980 to £55m last year.

Conclusion

In that time, it has changed from being largely a blue-collar supplier to being largely (55 per cent) an office workers' supplier: the other main categories—light industrial work, technical work and driving.

Manpower, like other similar companies, actually *employs* the people it hires out: it gives them four weeks holiday a year, sickness and accident benefit and life assurance. But it does not pay them when they are not working. Tony Hoskins, Manpower UK's managing director, says that three types of workers sign up—"the *individual* who wants to move into something but wants to try it out first—so we send them to, say, an advertising company and they see how they like it. Then there's people who really like temp work, and they're increasing: they don't want to work every week, they want to pick and choose. And then there's the mothers who want to go back to work, but don't want to work full time. They want to take days off without hassle."

'Mission values' that are vital to Ford

THE "mission values" that Ford is starting to promulgate sound like the offspring of a marriage between public and industrial relations. At the core are the three Ps—some would say the *three platitudes*—people, products, profits.

But it is all too easy to dismiss the programme. For Ford, some of the modern assembly-line division of labour, and the pyramidic hierarchy of management—is trying to change.

"It is nothing short on an attempt to change the entire cultural values of the company," says John Scott, until recently educational and personnal research chief at Ford world headquarters. Mr Scott has now moved to head the programme's implementation in Europe, and he is determined to succeed. "We are not doing this because we think its fashionable industrial relations or because we might get good press. We are doing it to survive in a competitive environment, for good business reasons."

The mission values are encapsulated in a few short paragraphs. "Our mission is to improve continually our products and services to meet our customers needs, allowing us to prosper as a business and to provide a reasonable return for our stockholders." Nothing revolutionary about that, but it is followed by an outline of the means.

"Our people are the source of our strength. They provide our corporate intelligence and *determine our reputation* and vitality. Involvement and teamwork are our core human values. Our products are the end result of our efforts. As our products are viewed so are we viewed. Profits are required to survive and grow."

It continues: "Quality comes first; customers are the focus of everything we do; continuous improvement is essential to our success; employee involvement is our way of life; dealers and suppliers are our partners; integrity is never compromised; the conduct of th company worldwide must be pursued in a manner which is

Implementation of the new set of mission values began last year with meetings of senior managers.

Now lower level management is being asked to take part in *what company chairman* Don Petersen calls "a major effort to shape the culture of Ford."

In a letter to management last October, Mr Petersen and Ford president Harold Poling explain the need for a common understanding of the way Ford should operate, in the midst of changing international competition.

"We need a clear understanding of what the company stands for and what our priorities ought to be. We need to develop a common understanding of what the statement means, and to translate that into our daily work—our planning, our decisions, and our relationships with others."

The idea of developing a statement summing up the philosophy that should guide the company's operations, and particularly the management of the workforce, first surfaced in the mid-1970s. According to Mr Scott it was the product of several converging factors.

The first source of pressure was from progressive plant managers interested in improving industrial relations and the utilisation of labour. This coalesced with senior management concerns about the growing competitive pressure from Japan. Managers came back from trips to the Far East with glowing reports about the *industrial relations climate*, and the way that the skills and initiative of shop-floor workers were released to improve quality and efficiency. At the same time, the union was pushing for more involvement in decision making, and a better quality of working life.

Initially, as many Ford managers freely admit, their arch rival General Motors was quicker and more concerted in efforts to mimic the Japanese. So by the late 1970s, and early 1980s, Ford management were stung into action, introducing the Employee Involvement Programme and mutual growth forums.

"The recession of the early 80s may have helped us introduce these programmes. But it was not the driving force, the ideas were there for a long time before we were hit," says Mr Scott.

It may be difficult to imagine managers and workers who have been bred on the drudgery of assembly line work and the anger of confrontation sitting down together in a "mutual growth form," but that is the plan.

The first step, according to Mr Scott, is to change the approach of management; the whole management style at Ford has to change.

"All our surveys show that employees are very keen on these ideas of involvement in decision making, participation, having greater discretion. Its likely that it will be management where the real problem will be," says Mr Scott.

In the past a brave new idea thought up at Ford world headquarters in Dearborn outside Detroit, would have been implemented by telexed instructions to its affiliates. But Ford intends to introduce this programme in a piecemeal way through consultation. Nevertheless the aim will not be compromised, according to Mr Scott. "We want to change the whole way that managers are socialised into the company—it has got to accord with the new set of mission values—and it has got to be consistent from here," to the UK, to South America."

One of the first steps Ford is taking is to change its system of management appraisal. As an internal document outlining the plan makes clear in the past Ford managers had a series of characteristics which generally went unaltered by performance appraisal. The list includes: short-term focus; top down decisions; quantity before quality; limited involvement with the workforce; fear of failure, and an overarching interest in *getting results* rather than being interested in *howto* get them.

Mr Scott says there has been some shift towards more participative management style compatible with employee involvement; a greater interest in quality and improved efficiency. But it has not gone far enough.

"The mission values do not describe where we are now—it sets us the goal of where we have to be to stay in business. We want to develop participative management and employee involvement not as the industrial relations gimmick but as a day to day method of management. We want to give people more room to improve their own working environment, and the quality of their work without managers pointing that out or directing it. And it should free up management to spread their experience over a wider range rather than getting too drawn into the nitty gritty."

Of course, the idea of delegating responsibility downwards fits in with Ford's aim of reducing both its manual and white collar staff. And the idea of Ford waking up to the latent skills of its workforce may sound like "too-little-too-late" for assembly line welders who have pumped welding guns for years, and secretaries who have typed letter after letter with little hope of a job change.

As one senior Ford manager admits: "Far too long we were happy to allow our people to leave their brains in the parking lot outside the plant, when in fact its people's initiative that creates the value added."

But whether or not Mr Scott and *senior managers at Ford* are successful in reshaping the corporate culture, away from the traditional mix of bureaucracy and routine assembly work, and towards participation and delegation, some things will not change.

"We are still going to have to make hard decisons. Even if this is successful there are going to be people in other companies who will be trying to run faster than us," says Scott. "Mission values are not a pleasant little addition to working at Ford, they are absolutely central to our future performance. They are the best shot we have got."

GEORGE PERRY

The case for some stimulus

MAJOR EUROPEAN countries are suffering from a bad case of social myopia. They seem to have mislaid the idea that the prosperity of all its people is a concern of government. Overall unemployment in Europe has been rising for a decade. Furthermore, labour markets are becoming increasingly polarised, with long term and youth unemployment becoming steadily greater and more entrenched. During the first five years of this decade, youth unemployment rates rose 50 per cent in the United Kingdom, 67 per cent in France and more than doubled in Germany. Present governments continue to rationalise this high unemployment as somehow inevitable; and specifically rule out as unacceptable steps to stimulate demand as a way to reduce it.

One argument in support of this stance is that the unemployment is structural, reflecting problems from the supply side. It is alleged that the work experience and skills of the unemployed do not match the requirements of new jobs that a demand expansion would bring, and that growth in industrial capacity has not kept pace with growth in the labour force so that capital would become a bottleneck to expansion before unemployment could be reduced very much.

There is rarely smoke without fire, so it is safe to say that today's unemployment rates could not be brought down quickly to the rates of the late 1970s because of such structural problems. But that misses the crucial point that the building of both physical and human capital are endogenous to the performance of the economy. Starting with today's high unemployment, demand would create its own supply. Fixed investment, relevant work experience and an adaptation of jobs to workers would all flow from a demand-led reduction in unemployment.

The idea that European unemployment is "classical," resulting from excessive real wages—or equivalently an excessive labour share— has been another reason offered against demand stimulus. This idea, which implies firms would be unwilling to expand their sales at existing prices, never had robust support in theory or the data. But even if it had some role in explaining the unemployment of the late 1970s, labour shares have declined since then, making it implausible as an explanation of today's much *higher* unemployment rates.

The most paralysing line of thought comes from the idea that policy cannot change without losing its credibility as an inflation fighter. According to this idea, a steady anti-inflation policy is expected not only to stop inflation but also to restore high employment. However the record supports only the first expectation, and that only partly. Real activity does not gravitate toward higher levels without a proper setting of the policy dials.

In the US, highly restrictive monetary policies ratcheted deep recession. Unemployment started to decline only after the fiscal-monetary combination turned expansionary during 1982. Most of Europe started deflationary demand policies even before the US did and inflation ratcheted down sharply there as well. But unlike the US, Europe has not altered its policies toward expansion and unemployment has continued rising.

In recent years, the economies of Europe and Japan piggy-backed on the strong US fiscal policy that provided them with rising export demand. But that trip is over. Now that US fiscal policy is turning the other way and the dollar has declined sharply, the need for more expansionary policies in Europe is growing more urgent. European economies will have to expand domestic demand just to maintain their growth rates of recent years. To grow faster so as to reduce unemployment, they will have to stimulate domestic demand *even more*.

Between 1982 and 1985, the US current account deficit grew by $120bn. This was offset by shifts toward surplus of about $40bn each in Japan, Europe and less developed countries (LDCs) without oil. In coming years, US policy is aiming to eliminate, or at least sharply reduce, the US current account deficit. This will have to be by falling trade surpluses in Europe and Japan. And to keep those changes from raising unemployment further, domestic demands will have to rise.

Looking at the US budget leads to the same conclusion. After rising by 3 per cent of gross national product in the past few years, the US structural deficit is scheduled to move towards surplus by a similar amount over the next three years. The first big step comes this autumn when the structural deficit for fiscal 1987 is expected to decline by $50bn to $70bn from its fiscal 1986 level. To avoid to sharp contraction in worldwide fiscal stimulus, Europe will have to move to more expansionary budget policies by then. Lower real interest rates worldwide would provide another offset to the tightening US budget, and are sorely needed to help LDCs service their debts besides. To be at all safe, the world economy needs both fiscal stimulus outside the US and lower interest rates all round.

None of this denies that the odds of an inflation upcreep are lower if demand management remains restrictive and unemployment stays high or even rises than they are if stronger expansions now reduce unemployment. The prolonged period of rising unemployment in Europe has ratcheted down inflation and subdued politically powerful unions that had contributed to the wage-price spiral of the 1970s. But this attack on wage demands through high unemployment reached severely diminishing returns some time ago. The credibility of the fight against inflation has surely been well established and the plateau of wage increases on which some countries now find themselves must be regarded as quite insensitive to maintained policies that produce sluggish growth and rising unemployment. Perhaps a dip into depression would discipline wage-setting down another notch. More optimistically, the present plateau of wage increases is well established and is unlikely to be affected much by faster growth.

To the extent that Europe does face some inflation-unemployment trade-off, there is no reason to believe that demands originating from sources other than policy change—if that is what policymakers are waiting for—would have any specially favourable effects. Whatever special benefits there are to credibility come from the experienced outcomes in markets and on order books, not from the setting of the policy dials that produced those outcomes. It was peculiar that Europe's policymakers decided against pursuing stronger demands that would have come from more expansionary budgets or lower interest rates while welcoming the boost to demand that came from the currency declines *vis a vis* the dollar in 1982-85. If anything, stronger demand from a weakening currency automatically brought with special inflationary pressures. The only way to make sense of favouring demand from depreciation but not from policy stimulus is that, if anything went wrong, governments and central bankers could point out that at least they had not misbehaved.

There may never be a time when more prosperity does not risk more inflation. But the present is certainly a time when, for Europe, those risks are modest and the costs of not taking them are great. With an enormous pool of unemployed, pressures from tight markets are minimal or non-existent.

In historical perspective, a long post-war cycle in economic performance and policy concerns has come full circle. For the first 25 post-war years, governments emphasised stimulating investment and real growth and minimising wasteful unemployment. The extremely low unemployment rates achieved in that era brought with them a deep-seated inflation. As the oil price explosions of the 1970s added to the home grown inflation, the policy emphasis in most countries shifted to restraint and a tolerance of high unemployment.

As appropriate as that change in emphasis was, it is now time to redirect demand management in Europe towards more expansion and lower unemployment. The lesson of the post-war period is neither that demand management brought inflation nor that real activity and unemployment will adjust to optimal levels whatever the setting of the demand dials. Rather it is that demand can be too strong as well as too weak.

Today the demand balance is far over on the too weak side, and it will be getting significantly weaker as the US budget deficit is reduced. The battle against excessive union demands may re-emerge some day, and policy should continue trying to diagnose and remedy structural problems. But none of this is a reason for not stimulating domestic demand in Europe today.

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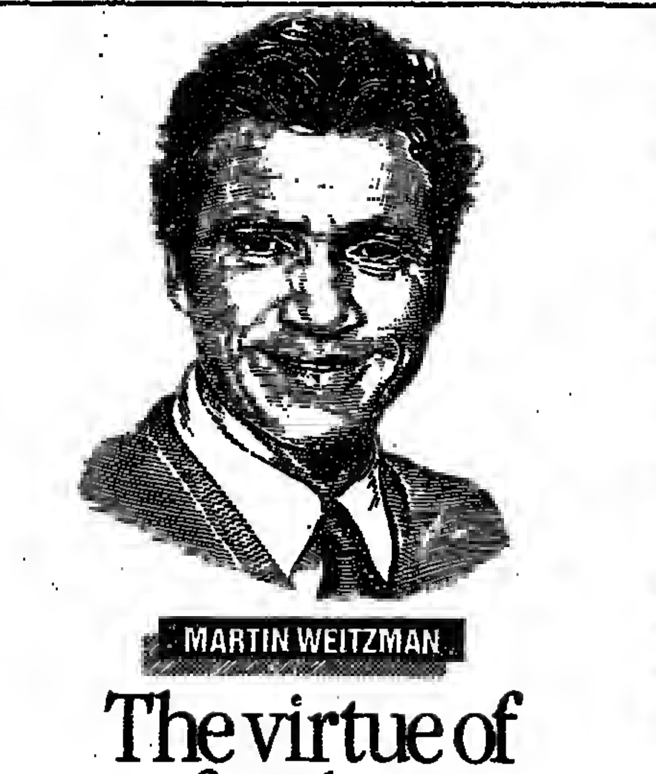

MARTIN WEITZMAN

The virtue of profit-sharing

THE BIGGEST single issue in the "future of employment" is making sure that employment *has* a future. Right now many "European-style" economies seem unable to reconcile reasonably full employment with reasonable price stability. Expansionary policies dissipate themselves, to an excessive degree, in too-large wage and price increases rather than expanded employment and output.

One school of thought blames the adverse situation on a high "natural rate of unemployment." For reasons no one has been able to make terribly clear, the "non-accelerating-inflation-rate-of-unemployment" has apparently deteriorated. In practice this explanation amounts to a tautology. It amounts to saying that the unemployment rate is high because the unemployment rate is high.

Another non-starter is the *au courant* explanation that European-style unemployment is of the classical rather than Keynesian variety, caused by "too high" *real* wages. The problem with this line is that real wages no more "cause" employment levels than the other way round. Both are simultaneously determined within the economic system. Given money wages and aggregate demand, companies choose employment levels and prices. Hence, the *real* wage (money wage divided by the price level) is no less determined by the decisions of firms than is employment.

What, then, is causing the unemployment? There is only one answer. But, like a coin, the answer has two sides. Side one is that unemployment is caused by insufficient aggregate demand (relative to money wages). Side two is that unemployment is caused by too-high money wages (relative to aggregate demand). Sometimes it is useful to stress one side of the coin; sometimes the other. But it is always the same coin.

In either case, the key to non-inflationary full employment is an economic expansion that holds down the marginal cost to the firm of acquiring more labour. Pure macroeconomic policy alone—the purposeful manipulation of financial aggregates—is no longer sufficient to guarantee full employment without inflation because labour costs begin to rise well before the economy starts to strain at full capacity. Where, then, do we go from here?

Economic policy should focus more directly on the labour market itself to build in automatic flexibility and to reform out structural rigidities so that we do not have to rely so exclusively on macroeconomic sledgehammer "cures" to maintain non-inflationary full employment. What is required is bold institutional change in incentive structures to make it in employers' strong self-interest automatically to maintain high levels of output and to keep prices low. There are many possibilities here—including two-tiered wage systems, tax-based incomes policies, employee ownership, profit sharing, and several others. I am in favour of maintaining a positive attitude toward all these measures. But as an economist I must say that profit sharing is the most solidly based of the alternatives and, I believe, holds by far the most promise.

A profit-sharing system, where some part of a worker's pay is tied to the firm's profitability per employee, puts in place exactly the right incentive to resist unemployment and inflation. If workers were to allow their pay to be more flexible by sharing profits with their company, that would improve macroeconomic performance by directly attacking the economy's central structural rigidity. The superiority of a profit-sharing system is that it has enough built-in flexibility to maintain full employment even when the economy is out of balance. If workers' compensation were shifted to a lower component of base wages and a higher component of profit sharing, then the average cost (or pay) of an employee could stay the same while the employer's marginal cost of hiring another worker would be lower. Because of the automatic profit-sharing cushion, employers are slower to lay off workers during a recession and quicker to hire more of them when conditions are good. And, as a very important side benefit, profit-sharing workers have a direct incentive to co-operate in increasing the productivity and profitability of their firm because part of their salary depends on it. A profit-sharing system [illegible] does not rely for its beneficial effects on lower workers' pay. The key thing is not to get real pay down—it could even go up within reason—but to lower the base wage or marginal cost component while raising the profit-sharing component accordingly.

In a profit sharing economy, firms acting in their own self interest will tend automatically to create a tight labour market, high output, and low prices. This will not happen overnight. But if the incremental, hardly-noticed decision at the margin has more of a bias under profit sharing to lean toward letting go of fewer workers during bad times and taking on more of them during good times, then gradually the system will ratchet itself toward an ever-tighter labour market. And standard macroeconomic policy is much more effective in an environment of widespread profit sharing because it is essentially the base wage, not total pay, that is in conjunction with the usual macroeconomic policy variables determines the critical characteristics of the system like unemployment and the price level.

Any economy is full of uncertainty. There are no absolute guarantees in this world, and if the uncertainty does not come out in one place it will show up in another. I am saying that it is much better, much healthier, if everyone shares just a little bit of that uncertainty right at the beginning rather than letting it all fall on an unfortunate minority of unemployed workers who are drafted to serve as unpaid soldiers in the war against inflation. It is much better if people will agree that only 80 per cent of their pay is going to be tied directly to the funny looking green pieces of paper—which are themselves an illusion, although a very useful illusion—and 20 per cent will be tied to company profits per employee. Then the economy can be much more easily controlled to have full employment and stable prices.

So I see a future of employment that is very much contingent upon labour and management taking on new roles and attitudes. European-style economies can break out of the stagflation trap, but only if workers care more about increasing productivity while managers care more about increasing employment. The key change is to alter the incentive structure by tying a significant fraction of each worker's pay, about 20 per cent, to profitability per employee. It is best to be under no illusions about the political realities involved here. Strong doses of moral suasion and significant tax concessions will be required to convince workers to participate in a profit-sharing system with no restrictions on new hires.

When all is said and done, no matter how well designed are the incentives, such change will require genuine consensus, cutting across left-right political lines, that the broad social gains of permanent full employment without inflation are worth more than the narrow private losses which inevitably will be incurred here and there. Yet the benefits are so enormous, the potential for increased national income is so great, that my recommendation would be to move decisively in the direction of profit sharing. If these ideas are wrong, little will have been lost by trying them out. And if the ideas are correct, a serious move toward widespread profit sharing would help greatly to make involuntary unemployment an obsolete concept. That is the "future of employment" I would like to see.

The author is Professor of Economics at the Massachusetts Institute of Technology and author of The Share Economy.

6

ENTREPRENEURS

The saviours on shaky ground

SMALL may still be beautiful, but more importantly it now spells dynamism, vitality, efficiency, competitiveness, and above all ... jobs. From being bit players on the big stage dominated by the big firms, small businesses have become the rising stars, feted by politicians throughout the OECD.

In the 1960s and 1970s prosperity seemed to be delivered mysteriously from above. The grey impersonal machine, which brought together macro-economic demand management and the big corporations, churned out growth.

In the 1980s that approach has been overturned. Prosperity, we are told, will well up from below. The know-how of skilled technocrats has been replaced *by the raw energy of thrusting* entrepreneurs. In the 1950s and 1960s, European industrial policy encouraged mergers and rationalisation to create firms large enough to compete with the American corporations.

Now attention has turned to fostering small businesses as the most important source of *new jobs. Future prosperity will* be fed by an enterprise culture which will breed successive generations of entrepreneurs. They will drive the economy on, pulling together resources to use them more efficiently, creating new products, new markets and new firms.

Rags to riches entrepreneurs have always been folk heroes, but now they have been given the role of saviours.

Individual businessmen and women grafting away to make sure their firms survive, look rather weak in the face of mass unemployment.

But the new gospel of enterprise says that taken together these efforts will generate a new economic vitality founded on risk-taking, profit-seeking entrepreneurialism.

The sweeping rhetoric is all very well, a challenge to the comfortable assumptions of the 1960s. But should our economic hopes be pinned on something as intangible as "enterprise culture?"

Is small business growth the best, and possibly the only route to future jobs? Are we witnessing a permanent shift towards smaller units of business organisation?

Or is their growth the only straw in the wind politicians can grab at in the face of declining public sector and big company employment?

Sorting out what role small businesses have played in employment growth and what role they may play in the future, is a far from simple task.

Half the firms which form the UK small business sector will *not be around in five years.* To predict the kind of employment small businesses will create means accounting for the 750,000 small firms which will *be formed in the next five years.*

Small businesses generate jobs through two routes. The most obvious is through growth. For some the key is not small *businesses in general* but the minority which will grow into the big firms of the future. An extensive small business sector may not matter as much as the quality of *small* businesses.

The second route is through more no growth small businesses, that start small, stay small but stay in business. More start ups employing five people may be more important than the occasional firm that grows.

So to assess the contribution small businesses have played in job generation and might play in the future, we need to look at both the extent of the small business sector and the way that firms grow out of that sector.

There has been some drift concentrating employment in smaller enterprises, according to a recent report by the OECD employment secretariat.

Only six OECD countries provide data for small firm employment across the entire economy. Small firm employment has risen in four—Austria, Belgium, France and Japan. OECD evidence for the manufacturing sector which covers a broader range of countries shows that small business employment has also risen in the UK and Denmark.

The OECD says that the overall *impression* is stability in small firm manufacturing employment, and that "where the share of small firms has risen the change can best be described as marginal being less than 3%."

The growth of the small firm sector, however, has to be put in the context of the changing structure of the economy. It is generally thought that the growth of the service sector has stimulated small business activity.

Nearly 60 per cent of service sector employment in Japan is in small businesses, compared with 47 per cent in manufacturing. In the seven countries for which data is available firms employing less than 20 people account for more service jobs than large firms in every country except Sweden, according to the OECD.

So some of the recent growth of small business employment will not be attributable to a burst of entrepreneurial spirit but the continuation of a slow shift in the structure of the major economies. As this trend continues, so more employment will be concentrated in small firms.

Moreover, there is mounting evidence that large firms are contracting out peripheral elements of their operations like cleaning, catering and security to smaller firms. So some of the recent growth in small business employment may not be so much job growth as job redistribution.

A recent report by analysts at the National Federation of Independent Businesses in Washington confirms that this development has played an important role since 1979.

"If you look at the relationship between consumer spending on services and service employment it maintains a fairly close relationship till 1979. Then with no apparent increase in consumer spending service employment goes up. This means that extra demand for services must have been coming from somewhere, and the natural explanation is big business contracting out," says the NFIB's William Dennis.

However, not all the growth in small business employment is due to the expansion of the service sector. In Austria 77 per cent of small business jobs have come through smaller units in manufacturing, in Belgium 58 per cent and France 54 per cent.

"In some countries there has been a trend in recent years towards a growing employment share in small enterprises which is not fully accounted for by shifts in the structure of output towards services. Apparently, the average size of enterprises is falling in these countries," says the OECD.

However, the growing share of employment taken by small businesses has to be set against the poor performance of larger firms. Small firm employment in the UK for instance rose from 13.5 per cent of total employment in 1968 to 21.1 per cent in 1982. However, the absolute level of employment has varied very little rising from 981,000 in 1968 to 1.9m in 1976. It has remained stable since then.

Since 1976, large firm employment (firms employing more than 1,000 workers) has fallen by *over 1m to 5m. Between 1977* and 1981 20 corporations were responsible for 22.8 per cent of all redundancies in the UK (264,200).

So the recent rise in the share of small firm employment is almost entirely due to the downturn in big businesses.

Even if small firm job growth has not kept pace with labour shedding in big firms, the small business sector does seem to have weathered the recession more effectively.

In the 1974-76 recession the death rate of small businesses rose by 50 per cent to 158,101 in 1977. However, in the recession of the 1980s, the UK small business death rate *hardly* rose at all, staying steady at around 9 to 10 per cent.

It seems that the small firms of the 1980s are more robust than their predecessors as well as contemporary large firms.

So there has been some shift towards smaller business units, independent of the impetus given by the growth of services. As the OECD notes, there are signs of a dynamic small business sector developing in several countries which could be a source of employment.

One of the reasons for this is the flexibility that small firms have to adapt production to changing market conditions. But small firms also gain flexibility through the kind of jobs they create.

If more jobs in the future are to be in small firms what kind of jobs will they be?

The smaller the firm the lower the wage, according to the OECD. The differential is widest in the US, where small firm employees get 57 per cent of the wage of a comparable worker in a large firm. *In Japan,* the differential narrows to 77 per cent, and in most of Europe it is narrower still.

Health insurance plans were available to 35 per cent of American small firm workers in 1983, and pension plans just 17 per cent. Over 85 per cent of large firm workers had access to these benefits.

The OECD concludes that a worker is more likely to be fired from a small than a large firm. Average job tenures with small firms was four and a half years in 1983 compared with nine years in large firms.

Though the evidence is limited, it is enough for the OECD to suggest that "jobs in small firms are not of the same quality as positions in larger firms."

So a growth in small firm employment may give rise to wider wage differentials and a more unequal distribution of company welfare benefits. But a more extensive small firm sector may inject greater flexibility into the economy as a whole.

At first sight comparing the UK and Japan, a more extensive small business sector is associated with better all-round economic performance. Japan has more manufacturing employment in small businesses than any other major economy and the best unemployment record. The *UK,* on the other hand, has a relatively limited small firm sector in manufacturing, and a high unemployment rate.

However, a recent report by *small* firm economists at Newcastle University, shows that these are extreme cases. (Small Firms and the Process of Economic Development; Centre for Urban and Regional Development Studies, Newcastle University.)

"There is no evidence to suggest that countries where small firms are dominant do better than countries where small firms are more important. Indeed once the UK and Japan are excluded, it appears that among other OECD economies those who are more dependent on small firms do worse," says one of the authors, Steven Johnson.

The report outlines three types of small business growth which have been particularly important *in* recent years.

The first is exemplified by a traditional area of manufacturing employment: the UK's West Midlands. The area lost a quarter of a million manufacturing jobs in just five years.

According to the Newcastle team, this has significantly enlarged the pool of people who are pushed to become entrepreneurs.

The severity and depth of the downturn has meant that skilled craftsmen and managers, with the expertise to start their own businesses, *have found* themselves on the dole.

But relatively few of these entrepreneurs set off to found "growth" firms. The rise of *small businesses in the West* Midlands is both a response to the decline of the big manufacturing firms, but also a reflection of it.

"*What is noteworthy* about the rise of small firms in the West Midlands is not the alleged injection of dynamism and growth into the UK economy, but rather *the opposite.* They are the visible expression of economic decline and industrial restructuring *in* the UK: individual response to mass redundancies," says *the* Newcastle report.

However, a recent report prepared for the UK Department of Employment found that unemployment has become less of a force driving self-employment growth or small business start-ups.

A survey of over 300 small businesses found that, between 1975 and 1980, unemployment was the major reason for start-ups. But the survey reveals that small businesses in the 1980s are much more likely to be started by ambitious proprietors interested in securing their independence, rather than redundant workers with no other option.

The West Midlands experience is in stark contrast to small business growth in Boston and Bologna where recent small firm growth has spawned firms which are internationally competitive.

Twenty years ago, the New England economy was dominated by traditional industries such as textiles, footwear, and clothing. But in the last five years of the 1970s the area created more jobs than the whole of Europe. Close to 400,000 jobs have been created, with more than half in manufacturing, and the driving force has been a highly competitive wealth-creating sector of small firms.

These mainly high-technology firms have grown on the twin pillars of defence spending and the concentration of university research institutions in the area. They have directly created relatively few jobs; but their success in international markets has brought high wages and profits which have boosted the rest of the economy.

A similar set of high technology firms has developed around the university city of Cambridge in Eastern England.

The second example of a set of internationally competitive small firms comes from Italy. Their competitiveness in traditional low-tech sectors like clothing and shoes stems from modernisation and investment. Between 1973 and 1978 investment in small firms rose by 189 per cent, compared with a 64 per cent rise in large firms. In 1972 the ratio of fixed investment per employee in small firms was 3 per cent lower than in large firms: by 1980 it was 16 per cent higher.

Central and north-eastern Italy *is* dominated by *small* firms: around 65 per cent of employment is in firms with fewer than 100 workers. Moreover, these areas have enjoyed much *faster growth* than the rest of Italy. In the ten years to 1981 employment in these traditional sectors grew by 8 per cent across Italy: in the *central* and north-eastern regions employment grew by 21 per cent.

While traditional sectors in other OECD countries have been battered by growing imports from the less developed countries, the Italian share, mainly produced by small firms, has remained fairly stable.

According to the Newcastle report, this ability to compete internationally is built on producing high quality goods; a unique system of co-operation and sub-contracting between the small firms, and the legacy of peasant production.

"All three cases show that it is not the absolute number of small firms that count but the quality of those firms. In Boston and Bologna small firms have grown because they have become and remained internationally competitive. In Birmingham they have grown because large firms have failed to maintain their competitiveness," says Steven Johnson one of the report's authors.

So the prospects for job growth in the "stay-small" business sector is mixed. There has been some drift towards smaller business units supporting more employment. But the OECD warns that it would be "superficial" to read into this great job-creation potential.

Moreover, if small businesses are to create the wealth to generate the jobs of the future it is their quality that counts rather than their quantity. Small business growth may be a partial answer to job shedding by large firms but it is not necessarily the flowering of the *entrepreneurial spirit.*

But to answer the complicated question of what role small firms play in job generation it is not enough to look at the small *firm sector.*

Snapshots of the share of employment taken by firms of different sizes revealed by periodic government surveys may give a very *misleading* picture.

If, for instance, at the time of the initial survey a firm had ten employees but then grew *dramatically* to employ more than 100, it would no longer count as a small business. This would show up on the snapshot as a loss of employment from the small business sector, whereas actually a small business had created more than 90 jobs.

To avoid these difficulties many researchers have concentrated on tracing individual firms through their life-cycle to find out whether employment *growth comes from small firms* getting larger or firms that are already large.

The most striking evidence for small firm job generation comes from a report by the American economist David Birch. In 1979 he reported on a survey of 5.6m firms, which found that between 1969 and 1976 *82 per cent of US* private sector employment growth was generated by firms which started by employing fewer than 100 workers.

A similar study by the US Small Business Administration

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The growth of the hidden world beyond the fringe

THE official economies of Western Europe may be in reasonable shape. But cheek-by-jowl their hidden economies are going through a period of sustained growth.

It has become increasingly clear that most developed countries do not have a single economy but at least three: the official, formal economy of legal firms that make tax returns and are governed by employment legislation; the black economy which ranges from tax avoidance and pilfering at work to fully fledged black market factories, and finally the informal economy of "oddjobs," household and volunteer work.

For several decades these three economies have enjoyed a stable relationship. The households provided workers to firms to produce goods and services. The workers in return got a wage which they spent on officially produced goods. The black economy was kept to the margins.

Now that stable relationship is in danger of disintegrating under a range of pressures, from sustained mass unemployment to the increased availability of "domestic capital" which allows more people to "do it for themselves."

This development raises serious political dilemmas for governments. Should hidden sector workers be lauded as standard bearers of enterprise or stamped on as parasitic tax fiddlers?

Can governments anxious to cut unemployment afford to see jobs swallowed up by the hidden economy? Or should informal work be seen as a way to augment formal jobs?

But the development of the informal economy also throws out a challenge to societies based on the centrality of paid work. In principle a growth in informal patterns of work offers a solution of the unemployment crisis: the lack of official jobs for all who want them.

But much informal work is based on an explicit rejection of the rules and ethics of "proper jobs." Can informal work be encouraged without forcing a major change in social values and attitudes?

Various pressures are pumping up the informal economy.

One pervasive long-run force is the increased availability of sophisticated "domestic capital" which raises domestic productivity and displaces service workers in the formal economy.

In a recent book "The New Service Economy," Jonathan Gershuny and Ian Miles show how an increase in this kind of self-servicing could curtail the growth of service sector employment.

The Gershuny/Miles model is very simple. People have a basic set of needs that they have to satisfy like eating or laundering. They can either pay someone to provide these services (for instance by going to a restaurant) or do it themselves (by popping something in the microwave).

As more sophisticated domestic capital becomes available at lower and lower cost it becomes more attractive to self provide these services. Domestic work becomes more cost effective.

If the price if bought services in restaurants or launderies does not fall, through productivity gained or wage restraint, demand for services will fall and service sector employment will suffer.

So work will shift out of the formal economy of launderies and restaurants and into the informal economy of private kitchens. And those industries and countries that produce the domestic capital goods will enjoy a steady demand for manufactured products and employment.

One recent estimate suggested that the average home now has more capital than a small 19th century factory.

Commenting on a detailed analysis of changing patterns of demand for domestic goods and services, Gershuny and Miles say:

"Households have been shifting away from the traditional labour intensive modes of provision, away from the purchase of final services, and towards good-intensive modes of self-provision. During the 1970s people were buying fewer laundry services and more washing machines, fewer cinema tickets and more TVs, and fewer travel tickets and more cars."

The growth of self-servicing in the household economy carries important implications for the future of service employment.

"Many people have assumed that the services would soak up workers displaced from manufacturing industry. But the attractiveness of self servicing using domestic capital places service employment under increasing pressure," says Ian Miles.

The second pressure raising the level of informal economic activity is disillusionment with the world of formal work. Sustained high levels of unemployment, and disillusion with unsatisfying jobs in big companies are both seen as fuelling the hidden economy.

This has lead some to suggest that informal work offers a solution to the unemployment crisis.

Simply informal household work, odd jobs here and there, volunteer work, all keep people occupied providing others with goods or services they need.

This area of work could expand much more rapidly than the formal economy and soak up the unemployed. To get back to full employment we need to change our idea of what a job is.

"We have to recognise that we are not going to create jobs as we knew them in the past. There will always be plenty of work to do but increasingly people will do it through a mixture of part-time work, work for cash, odd jobs here and there and voluntary work," says Professor Charles Handy.

"This is all work and we need to give it a high social status to encourage people to do it rather than treating it as a second best to a proper job. In the future there just will not be enough proper jobs to go around."

Others see even larger possibilities in the informal sector. For James Robertson, author of "Future Work," industrialisation spells specialisation. The private social world of the household becomes a refuge from the harshness of dissatisfying work in the big machine.

Mr Robertson argues that advanced societies should build on the qualities of household and unpaid work and move from "Economic growth to human growth; from increasing specialisation to increasing self-sufficiency; from increasing dependence on professionals to increasing self-reliance; from increasing centralisation to increasing decentralisation."

So, for Mr Robertson, informal, unpaid work offers an alternative to a society that constantly generates a need for employment which it cannot satisfy. But his vision of self-reliant modern artisans is part of a more general attack on the values of the modern world.

But even advocates of the new informal economy recognise there are immense problems translating their visions into reality.

The informal sector may nurture a new flowering of human values and self-reliance, but it also spells insecurity, instability and low social status.

If people are to forego a formal job and weave instead through various kinds of work in the informal sector, they will have to be persuaded that they will not forego the key benefits of formal employment: social status and a stable income.

Societies will not be able to maintain cohesion unless informal work is given a higher status and formal work is downgraded, says Peter Kelvin, Professor of Psychology at London University.

Unemployment will become accepted as a normal rather than deviant condition. In strictly quantitive terms for a substantial number of ordinary people work will not take a large slice of their lives; it will not therefore be so central to their self concept as work is today many people," he says.

But to translate this shift of values into everyday reality, most advocates of informal work argue that the state should provide a basic income to all people of working age.

With this kind of guaranteed income attached to informal work it would bring not just personal satisfaction but security and a new social status.

But revenue for such a scheme would have to come from taxes, levied on firms and workers in the formal economy. Even if this did not sap the formal economy of its vitality it would undoubtedly provoke continuing political controversy.

But the other problem for advocates of informal work as a way out of the unemployment crisis is that what evidence exists suggests the unemployed are the least likely to undertake informal work.

"Most unemployed men do not have access to many of the facilities necessary to initiate productive informal activities themselves," says Ian Miles.

Whereas 60 per cent of employed men have access to an electric drill only 10 per cent of men unemployed for over a year do, according to a study he completed in 1983. Only 10 per cent of unemployed men have access to garden tools or a car, whereas between 70 and 80 per cent of employed males have access to these tools.

Moreover, he found that work contacts were crucial to generating opportunities for informal work.

A similar study conducted in London found that those most likely to undertake informal work were those least likely to suffer unemployment.

"Our data provides unequivocal evidence that unemployed people are not more likely to provide for themselves or to offer themselves as a source of informal labour for others," says one of the report's authors, Professor Ray Pahl of Kent University.

Moreover, while some of the unemployed might find opportunities for work if they live near relatively affluent areas, it is not clear that informal work can be stimulated within an area of very high unemployment.

Despite these findings, there are strong signs that the black economies of Western Europe are not just prospering, but becoming more entrenched and organised.

There are various ways to measure the hidden economy. One method is to look at the use of cash in the economy on the assumption that the black economy is largely cash in hand. Another is to compare income and consumption measure of GDP to prise out discrepancies which are due to unrecorded activities.

None of these measures are entirely reliable, but nevertheless there are various official estimates of the size of the black economy.

The German black economy is now worth DM180bn (£52.6bn), or 10 per cent of GNP, according to the Federal Labour Office. Up to 600,000 people are thought to be involved in undeclared economic activities which cost the exchequer DM50bn in lost tax revenue and improper social security payments.

The most recent estimates of Italy's well established underground economy suggests it accounts for 20 per cent of goods and services and involves over 3m people.

The US hidden economy could account for 10 per cent of GNP, according to a report by economists at New York University.

In France, there are from 800,000 to 1.5m people in the black economy, according to an International Labour Organisation report. About 2m French families employ domestic servants, but only one in eight are on the country's social security rolls.

In the UK the Inland Revenue suggests the hidden economy accounts for between 6 and 8 per cent of GNP.

These estimates include all forms of economic activity that should be declared to the authorities but go unrecorded. So simple tax avoidance may make up a major part of the hidden sector.

According to a recent OECD report, the average four person household in America spent $2,730 on black economy goods and services in 1980; in Germany DM3,800 ($3,190 at 1980 exchange rate); in the UK £960 (or $2,240).

Some of the black economy workforce does come from among the unemployed. Thirty-six per cent of London's unemployed youth work part-time for cash in bars or restaurants. At the other end of the spectrum early retirement programmes have also swelled the hidden economy labour force.

But most reports suggest that the main participants in the black economy are those who already have a job but do a little bit extra on the side.

The more organised forms of economic activity are attracting attention. Many politicians seem to believe that the rise of the hidden economy shows that enterprise can create jobs, and that people are prepared to go out and look for work.

"The existence of the black economy indicates that where people find a direct relationship between the money they get in their hands and the work they do, they not only do that work but they go on to find it. The enterprise is still there," Margaret Thatcher said last year.

So politicians are in something of a bind over the black economy. The lost tax revenues hurt the Exchequer, black economy job creation does little to reduce the official unemployment count, but it can be held up as a standard of enterprise.

"The OECD warns against overstating the phenomenon. Its report on the hidden economies of the OECD suggests that national accounts only under-record economic activity by around 3 per cent of GDP.

"Hidden activities may not be large relative to total GDP," the report says.

So the fringe economy displays an alarming diversity: from social service volunteer work, to back-street sweatshops; from the self-fulfilment of pursuing life-long hobbies to the insecurity of illegal foreign workers; from the simple act of cooking a meal to building a house.

It is a shifting target for policy-makers to aim at. If volunteer social work is encouraged with a new social security payment than why not other forms of informal work like housework? If some black economy enterprise is to be praised then why not all?

However, what is clear is that increasingly policy will be unable simply to ignore or suppress the informal economy.

The persistence of high levels of unemployment, the rising real incomes of those on formal work, and the drift towards self-provisioning will ensure that the informal economy will continue to play an important role.

There are two ways the informal economy could develop, according to Jonathan Gershuny. The state could try to ignore it. But this would sanction large numbers of people to work in a parallel economy unprotected by employment legislation, without social security benefits. The scale of the informal economy and the seeping effects it would have on the rules, ethics and organisation of the formal economy would eventually force the state to take action to suppress informal activity or reform it.

Suppression would be too costly and too messy says Mr Gershuny, so eventually governments will have to start taking a more constructive approach to work in the informal sector.

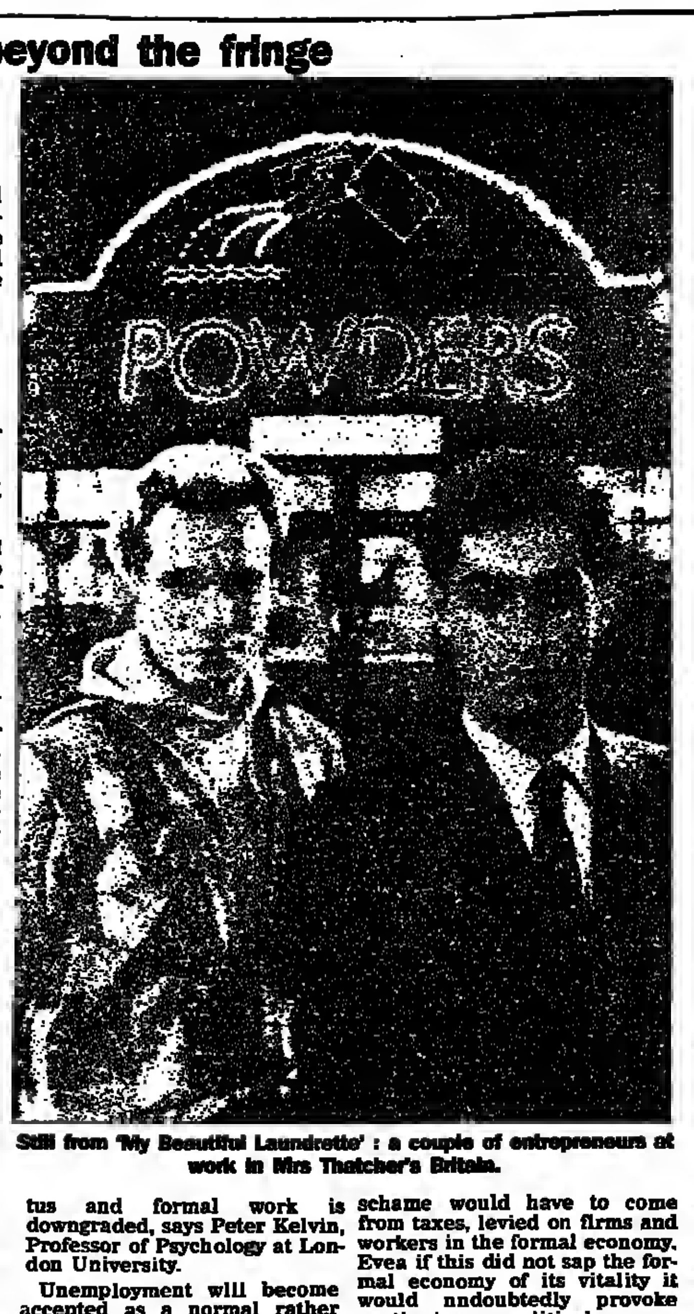
This would require relinquishing the goal of creating full employment in the formal economy and replacing it with a new vision.

"In the future we could look to the formal economy to provide efficient material production and to the informal economy to provide services," argues Mr Gershuny.

"This would involve the state in the active promotion of community-based services in such fields as child care, care for the elderly and the sick. It would involve the modification of laws relating to very small companies, to relieve them of administrative and heavy tax burdens.

"It would require a change to social security to remove high marginal tax rates on low wage earners, and to provide some form of protection to those working exclusively in the small scale informal sector. And most important, it would involve the state taking action to encourage people to participate simultaneously in both the formal and informal economies."

Giving the informal economy a realistic role in future employment strategies could be one of the most important challenges of the next 15 years.



Still from 'My Beautiful Laundrette': a couple of entrepreneurs at work in Mrs Thatcher's Britain.

Continued from Page 15

To avoid these difficulties many researchers have concentrated on tracing individual firms through their life-cycle to find out whether employment growth comes from small firms getting *larger* or *firms* that are already large.

The most striking evidence for small firm job generation comes from a report by the American economist David Birch. In 1979 he reported on a survey of 5.6m firms, which found that between 1969 and 1976 82 per cent of US private sector employment growth was generated by firms which started by employing fewer than 100 workers.

A similar study by the US *Small Business Administration* found that between 1980 an 1982 all the employment growth in the US came from small firms.

However, these studies have been challenged by other work. A report from the Brooking Institution found that between 1978 and 1982, half the new jobs came from medium or large firms. Mr Birch himself has lowered his estimates of small firm job generation to around 70 per cent in the 1980s.

Nevertheless, it appears that while employment in US small business stood at 40 per cent in 1977, the contribution they make to job growth is much higher, in a range between 53 and 82 per cent over the long run.

Similar results have been reported from elsewhere. In the 10 years to 1984, 64 per cent of net private sector jobs in Canada were created by small businesses, according to a Canadian Government report. Analyses of firms' contribution to job growth from France and Germany found that only small businesses enjoyed employment growth during the 1970s.

In the UK only firms employing fewer than 100 workers in 1971 showed any net job growth, according to the most authoritatve study by Colin Gallagher and Bugh Stewart at Newcastle University.

However, medium-sized firms also created a large number of jobs, as well as suffering job losses. The authorise conclude that: "No one size of firm is responsible for the majority of job generation in the UK."

But small firms have been an important new source of jobs, particularly compared to larger firms.

"We are a long way from establishing unambiguously the precise extent of the contribution of small firms to job generation but the trend during the past 10 to 15 years in the OECD countries has been one of major reduction in employment by large firms, with the small firm sector generating job growth," says Steven Johnson.

However, a small number of firms is responsible for an overwhelming number of the jobs created. A study of small firm growth in California for instance found that small firms generated over 80 per cent of new jobs between 1976 and 1979. But most of this was accounted for by just 13 per cent of the small firms.

"Almost half the new firms formed each year will fail within four years. Most of those which survive hardly grow at all in terms of employment. Employment growth is concentrated in very small young firms," says David Storey, editor of a recent book on small firm development on both sides of the Atlantic.

"It is not clear that the recent increase in new firms will increase the number with growth potential," he says.

The characteristics and ambitions of the proprietors of these growth firms are particularly important. It is their drive, their ability to find to gaps in the market, to organise efficient production that is crucial.

Politicians throughout Western Europe have set out to transform the economic culture, to instill a new set of values that respect risk-taking entrepreneurs rather than professional managers of big corporations or civil service.

And for most of these politicians it is the American example which they are attempting to follow. As Nigel Lawson, the UK Chancellor, said in a recent television interview: "The way forward is the American way. Enterprise culture is the way ahead."

But *what is* the "*enterprise* culture" of the US, and what has created it?

"What most astonished me in the US was not so much the grandeur of some undertakings as the unnumerable multitude of small ones," wrote Alexis De Tocqueville in 1840. A similar observation could be made today.

The small business birth rate has risen from 90,000 a year in the 1950s to 600,000 a year in the 1980s.

"What lies behind this growth is a reversion to the traditional American values that dominated the pioneering society in the 19th century," says William Dennis of the National Federation of Independent Businesses.

At the root of the high level of business start-ups is a widespread public respect for business and the people who start them, he says.

A recent survey for instance found that over 87 per cent of respondents would approve of their sons or daughters starting their own business. A study by Dutch researchers found that American small business owners felt significantly more highly respected by the public at large than in any other country.

But it is too easy to overemphasise the American love of small business. The same US survey found that people still thought that big businesses were the most important source of jobs, and teachers and farmers rate much more highly than small business owners or entrepreneurs. Most significantly around 70 per cent of people thought it difficult to start a business, and 77 per cent thought it difficult to found a business which would grow.

Undoubtedly there are deeply-held American values like respect for the individual and personal independence which are conducive to entrepreneurialism. But they have been around for decades, why would they explain the recent growth in small business entrepreneurialism?

According to small firm expert David Birch a crucial characteristic of the American enterprise culture is an acceptance of failure.

"This is a country that is very forgiving of failure. If you start a company and fail you are seen as innovative, gutsy, a great guy. So what if you failed, you tried and in the process learned a lot," says Mr Birch.

There is a famous story of the Texan banker who refused to loan money to people starting their first business but would happily lend it to people who had already failed twice.

In contrast Bernard Tapie, founder of the French conglomerate that bears his name, said recently: "In France you were regarded as a fool if you failed or a crook if you succeeded."

The second key characteristic is acceptance of change, says Bob Friedmann of the Corporation for Enterprise Development.

"All countries have faced changes forced on them by a shifting world economy. America has responded better than some because we adapt to change much more quickly, we have less to root us to the ground."

But other developments have underpinned the small business boom. One is the working through of the cultural revolution of the 1960s. The rebellious generation of the 1960s which campaigned against the military-industrial complex, has become the founders of many of the small businesses according to William Dennis.

"These people were campaigning against the overweaning power of big business. But not only were the big corporations morally tainted, they could not offer good jobs. Promotion ladders were clogged. So for a variety of reasons the baby boom generation became intensely disenchanted with the big corporations."

The small business boom started in 1970 just when the first of the baby boomers were passing 25 and entering the prime age for starting a firm.

Another trend of importance has been the growth in female participation in the labour force, says Mr Dennis.

As women have come into the labour force they have been an important source of labour for small firms, many working part-time. They have also become important business starters. The rate of business start-ups among women is eight times that of men.

But the participation of women in the labour market has also generated a need for new service firms with local markets to provide laundry, cleaning and fast food.

So far underlying cultural factors have combined with demographics and social change to produce small business growth.

An additional factor has been the government's role.

"Direct government policy has had hardly any effect on small business formation, and entreprenaurship," says Bruno Maur of the Presidential Commission on Industrial Competitiveness.

William Dennis puts the point more directly: "The Small Business Administration is more or less irrelevant. They do good work collecting information but that's all. Anyway any entreprenaur worth investing in does not need a Government to tell them where the gaps in the market are."

However, other Government measures have been important to small business growth, particularly deregulation.

Firms in deregulation industries are employing an increasing percentage of the American workforce. Almost a quarter of the 12m jobs created in the US between 1976 and 1982 came from deregulated industries. Small firms accounted for 82 per cent of this growth.

And small firms in deregulated industries also withstood the recession. In the deregulated trucking industry, for instance, firms employing more than 500 workers lost 74,812 employees between 1980 and 1982, while firms with fewer than 20 employees generated 61,334 jobs.

But the importance of deregulation goes beyond opening up particular markets, weakening the power of near monopoly large firms.

"Governments can best encourage entrepreneurs to come forward by sending out consistent signals that they want more entrepreneurship," says Bob Friedmann.

"Government cannot tell a society that entrepreneurialism is good in computers but bad in steel, good in transport but not in retail, it cannot let one area go and help plan another. You cannot have selective entrepreneurialism."

In contrast, a recent review of UK small firm policy urges the Government to adopt a much more selective approach to supporting small firms. (Small Firms Policies in the UK: Centre for Urban and Regional Studies, Newcastle University, March 1986.)

The authors argue that Government reform of employment legislation, easing the burden of red tape, providing financial assistance through the Enterprise Allowance and other schemes are aimed at the wrong target.

Moreover, the report concludes that the kind of small businesses that the Government's policy encourages create relatively few jobs in depressed areas, or for those who are registered as unemployed.

The authors urge a much more selective Government approach to pick the key growth firms which will generate most small business sector jobs. For instance, one criterion of assistance, they suggest is that firms should be able to show an ability to sell outside the UK.

For Friedmann and many other American analysts, however, such a change would be a mistaken attempt to mould small businesses in the images of the big businesses they are replacing.

"The vision of the entrepreneurial economy cannot be restricted to high growth firms that generate big profits for people to drive around in big cars. We have to recognise that entrepreneurialism has to also be able to answer social problems," says Mr Friedman.

The final factor which has spurred the American small business growth is the nature of the financial sector.

In 1982 there were 14,451 commercial banks in the US, one for every 15,676 people; in the UK there was one bank for every 1.6m.

"The decentralised banking system is crucially important to give people access to funds. Loan capital is not a major problem for small businesses; it is access that counts rather than cost," says the NFIB's Mr Dennis.

But for others, the quality of financial aid is much more important.

"Firms which are crucial to job generation are those which are growing, it is they who have changing needs and run into difficulties with the banks. So we have not solved the financial equation yet," says Mr Friedman.

Whether or not Western Europe will be able to create its own enterprise cultures, with this combination of cultural values, social change, and institutional support is as yet unclear.

But while small businesses may not offer a solution to unemployment, they will play an increasingly important role in shaping the future of work.

The attractions of self-employment; the shift towards the service sector; a continuing trend toward contracting out from big firms; the applicability of new technology to small business production; the growth of the European venture capital industry and the interest of politicians from left and right, should ensure they will retain a crucial role in future developments.

But the clearest result from all the studies of small firm job generation is actually the converse: big firm job loss has been the source for rising unemployment. It may well be that only when the big firms start hanging out the vacancy signs that unemployment will start to fall again.

In Mr Micante's Italy . . .

LEO MICANTE is furious that he had to throw away his entire artichoke crop because of fall-out from Chernobyl. But his main worry has nothing to do with his three-hectare smallholding which supports, besides the radioactive artichokes, a few pigs and an excellent sparkling wine.

Mr Micante is pre-occupied with his other business, which makes leather bags mainly for the West German market. The West Germans, he says, are showing signs of switching their favour to Eastern Europe.

So he is a little anxious as he hustles round his workshop, a former restaurant, where his nine workers, mainly women, sit looking through an open window into a field of ripening corn a few feet away.

The workers are cramped, but seem happy enough. Like Mr Micante, they each have a plot of land which they work when not making leather bags. No doubt their families would be much like his: his father is a building worker, his mother works in a shirt factory, his sister makes pullovers, his son works in the family business and his grandmother is on a pension.

For Mr Micante's set-up is typical of the Val Vibrata, a 15 km-long valley near Italy's Adriatic coast, which has become a model in Italy and beyond for successfully moving from an agricultural to a light industrial economy. In making this transition, the valley has blended the family-based work regime that characterise smallholdings with the different requirements of small businesses.

The valley still looks largely agricultural to the casual eye. Yet it contains about 1,600 businesses employing more than 11,000 people, working mainly on textiles, leather goods and furniture. Some, like Euroflex, with its 180 workers, $5m turnover and sales of its holdalls throughout Western Europe and in the US, are sizeable concerns. But most are, like Leo Micante's, tiny businesses in small workshops often built on to family homes.

Antonio Angelini, president of the Val Vibrata Development Association, reckons that fewer than 50 of the valley's businesses employ more than 100 people. Even when they succeed, they grow more often by increasing their network of subcontractors than by increasing their direct employees. Thus Mr Angelini's own knitwear company employs only 22 people, yet has about 30 sub-contractors working for it, the largest of which itself has 30 workers.

There are practical reasons for this pattern of development. Each sub-contractor can specialise in making one product for the larger companies, relying on them for financial help for specialised equipment. Moreover, the relative scarcity of even medium-sized companies means the valley is not disfigured by too much factory building.

But Mr Angelini stresses too that the flexible working afforded by small businesses suits the local way of life. "They get up early, work from five to ten in a workshop, spend 10 to four on the beach, return home and do another four hours work, then have the evenings free and the weekends for their plot of land."

No doubt many of the small companies fall through the net of Italy's burdensome taxation system and rigid labour laws, though a majority, and certainly virtually all of the bigger ones, are now firmly out of the black economy.

At Euroflex, for example, Mario D'Eustachio, the president, emphasises that his workers are paid according to the rates laid down nationally by unions and employers. The unions have worked hard with the employers to make the valley a success, moving quickly to resolve difficulties such as when a company has tried to pay below the nationally agreed rates.

Mr D'Eustachio says the unions in his plant spend more time talking about the company's problems, than about the workers' grievances.

The signs of success are many. Some companies are moving up-market technologically: Euroflex has just introduced a major programme of computerisation. The valley is now feeling the need to market its products under one brand name. And, perhaps most impressively for a rural area, people are moving back: the population of some of the valley's mountain towns has increased by as much as a quarter in the past decade.

Government bodies charged with developing the rural south now look on the Val Vibrata as a more promising model than trying to prod large companies to locate major plants in rural areas—the so-called "cathedrals in the desert" approach.

So, too, to judge by Mr Angelini's visitors, do some other countries anxious to help their rural areas make the leap from agriculture to industry. They have recently included delegations from China, Yugoslavia and Bulgaria.

The FT jobs poll

SMALL businesses will grow strongly in the next two to four years but they will not be the only job-creating firms. Job losses will be concentrated in firms employing more than 1,000 people, the Gallup poll indicates.

The explanation or the sharp difference between the employment outlook of large and small firms seems to be that small firms are far less likely to be unionised, to use new technology or to contract out work to other firms. Big companies will create more jobs for part timers and women than small firms.

Will small firms be the main source of employment growth?

Small businesses will generate well above average employment growth in all the major economies, but they are not the only source of new jobs.

The small business sector as a whole will generate new employment growth in 37 per cent of firms, compared with the average net growth rate for all firms of 20 per cent.

American small businesses will put in the best performance with 43 per cent net job growth, followed by 40 per cent in Japan, and 37 in Britain.

In contrast the big firm sector will in the US, where employment in medium-sized firms will grow most strongly by 59 per cent net. This reflects the buoyant employment outlook of US manufacturers. In the UK the small to medium-sized sector will outgrow the small business sector by 5 per cent.

What explains this difference in performance?

Small firms are far less likely to introduce new technology than big firms. Overall 44 per cent of small businesses said they had introduced new technology in the last five years, compared to 79 per cent of large firms. In the sample as a whole 45 per cent of firms said they had plans to introduce new technology. Only 31 per cent of small firms have these plans whereas 60 per cent of big firms plan to introduce microelectronics.

However, the evidence from Japan and Britain shows that even when small businesses introduce new technology they can still generate jobs. The Japanese sector will generate net employment growth in 40 per cent of small firms, even though 57 per cent of small businesses plan to introduce new technology. Employment in the British small business sector follows a similar pattern.

French small businesses are the most technologically advanced: 34 per cent use high technology compared with 31 per cent in Germany, 27 per cent in Britain, and just 3 per cent in Japan.

Small firms are far more likely to be non-unionised than large firms: A little over half the firms are non-unionised but this rises to 74 per cent among small businesses, and falls to a low of 21 per cent amongst large firms. In the US 86 per cent of small firms are non-union, in France 82 per cent, Japan 80 per cent and Britain 65 per cent.

Small businesses are far less likely to have more than half their employees in trade unions. Overall a quarter of firms have more than half their workforce unionised, but this falls to a low of 10 per cent amongst small businesses, and rises to a high of 39 per cent among large firms.

Companies planning to subcontract some of their work to other firms will provide very low net employment growth in the next four years. Employment in firms with more than 1,000 workers will decline by a net 33 per cent of firms in France, and 9 per cent in Great Britain. In the other countries employment in big firms will grow at below the average rate. Big firms make up a quarter of the sample as a whole but 41 per cent of the firms projecting job losses.

What kinds of jobs will small businesses create?

Workers in small businesses are far more likely to use labour intensive technology than the employees of large firms. Across the five economies 42 per cent of small businesses use low technology processes, with a high of 70 per cent in Japan. In contrast, only 23 per cent of big firms use low technology.

Small businesses will not expand their female workforce as much as large firms, and small firm expansion will generate more full time jobs than equivalent growth in large firms.

Overall, 80 per cent of large firms employ part timers, compared to 46 per cent of small firms. Half the large firms said they will employ more women in the future, compared to an average of 42 per cent among firms of all sizes and 41 per cent among small businesses.

Small businesses are also more likely to employ women in traditionally female jobs. While 74 per cent of large businesses forecast that women would increasingly move into male-dominated areas of work, only around 40 per cent of small firms forecast this shift.

7

BUSINESS & SOCIETY

The corporate capital impulse

"Perhaps the very survival of our institutions in this country for so long without revolution owes much to the sense of responsibility of those who enjoyed the power of capital."

Michael Heseltine (when Environment Secretary) February 14, 1982.

MASS unemployment has ushered in a remarkable phenomenon in most of the advanced countries which have suffered under it: the corporate charitable impulse, or "caring capitalism." In these countries, business leaders have assigned time and money to assist the re-employment of their fellow citizens—some of whom they may have deprived of employment in the first place.

The impulse is, as the extract from Mr Heseltine's speech above makes clear, as solidly grounded in self interest as in altruism: but that this is so merely underscores the strength of it. Says Yves Bénard, chief executive of Moet Hennessy's champagne division (an unlikely place to find care for the dispossessed?): "If we wish to preserve a liberal society, then it is our responsibility as employers to assist in the process of employment creation." Mr Bénard's own national traditions teach him to be wary of a *sans culottes* revolt—and these apart, Moet lost one of its largest foreign markets when the imperial Russian Court had to give up champagne with much else in the 1917 revolution.

But the imperative is as strongly felt in states like the UK, where the political traditions are gradualist. Sir John Harvey Jones, the retiring chairman of ICI, endorses the new practice of corporate concern because, he says, he does not wish to bus workers into his plants past mobs who have nothing to lose. He has witnessed, with his fellow citizens, the increasing incidence of riots and lawlessness which—while showing no clear or unambiguous link to unemployment—still appear to carry uncomfortably resonances of a movement of the rejected. Even in those countries where the post-war social democratic state has practically monopolised care for the casualties of the employment scene—as in most of the West European countries—business is now reclaiming areas which were once the preserve of the enlightened Victorians. As police chiefs everywhere order water cannon and tear gas, industrialists strive to keep those who could be the objects of these preparations off the streets.

(Sometimes the two strategies for containment meet in one location. At a Thyssen plant in Wiesel, steel cladding is engineered on to a Mercedes chassis to give police protection against mobs—while the same plant takes on more engineering apprentices that it really needs, in part as its contribution to preserving social peace).

This development is momentous for its relative novelty and still more for what it means for the future. Once in, business will not wish to get out of an area where it can both do good and be seen to do good—and play a useful role for itself in determining some of the parameters of the local labour market. Overall, in underpinning the viability of a free market, liberal state at a time when Governments have failed to guarantee anything like full employment, private business may be partially replacing, certainly substantially modifying, the post-war orientation towards the state as a source of security and opportunity with one which sees private enterprise as at least as important.

The US experience

The US led and still leads the way to the field: the relatively more modest role most federal administrations play in the domestic social arena, and the continuing penchant on the part of large corporations to develop and increase their social role—often Government-pushed, as in the positive actions to promote the employment of minority groups and of women—has produced a corporate culture which routinely allocates importance in both rhetoric and action to community programmes.

The long-standing tradition of American corporate philanthropy underwent major change in the late 1960s. The wave of riots that swept through many major cities prompted businessmen to reassess the role their businesses could play in local communities.

One of the hardest hit was Detroit. "The city was burning, we could hardly stand by and watch," recalls Ken Judge Ford Motor Company head of community programmes.

With the other two major car producers Ford help set up New Detroit. As an open democratic forum for community representatives and business leaders to discuss priorities for community action it plunged the big corporations into unfamiliar territory.

"I will never forget the chairman of General Motors being told by a seventeen-year-old black youth 'there is plenty of grass around but your cow is eating it all'," says a senior Ford executive.

Apparently Henry Ford II was close to being outvoted for the first and only time in his career.

Ford's commitment to New Detroit continues, along with contributions to health and education programmes. And Ford has always tried to use the New Detroit model, to organise its work.

It rarely goes into a project without other companies, and hardly ever funds something directly, preferring to work via intermediaries.

"We look upon a large part of our community contributions as 'non-discretionary, almost like an annual tax which we expect to pay'," says Ron Taub, head of the Ford Motor Company Fund. The fund will distribute $12.4m this year, with the largest chunk going to educational programmes.

Ford's contribution may look impressive but it has slipped down the ranking of corporate donators in recent years. Near the top is IBM.

In 1984 IBM contributed $145m to charity, more than the largest private US charity. And like everything that IBM does the programme is rigorously planned, targeted and audited. Corporate social responsibility is written into the ethical code that guides all IBM employees.

The company's involvement in job training is extensive. Last year it expanded its long-running Job Training for the Disadvantaged to fund 57 community training centres in inner city areas. The programme has a placement rate of 80 per cent. IBM estimate that the 2,600 graduates of the 1984 programme went from collecting a combined welfare check of $6.7m to bringing in a pay check of $30m.

As well as providing direct cash funding for projects IBM donates both equipment and personnel. One of the most innovative schemes provides employees with full salary for a year to work on social and community projects.

Ford and IBM exemplify the scale, diversity and strength of US business involvement in the community. It is an accepted part of business life, embedded within the organisations in corporate responsibility departments, and in the communities.

But on the back of this stability US businessmen are innovating. One of the most impressive examples of organised corporate involvement is the insurance industry.

Insurance companies' role in community affairs is stimulated by an industry-wide body, The Centre for Corporate Public Involvement. After a meeting of industry chief executives in 1981 the centre began to promulgate a set of agreed priorities for the insurance industry social responsibility effort covering: health, education, the long term unemployed, and the homeless.

"We started with a scheme to target low income households with $2bn special housing loans. In other words doing something which was not that far from ordinary business. But since then we have moved into new areas and new ways of doing business" says the centre's director Stanley Karson.

In 1984 companies linked to the centre undertook 1,126 community projects. Arts and cultural programmes were the most popular, followed by youth and educational programmes. Thirty-five per cent of companies worked directly with the unemployed.

A second innovation in the US has come from Boston. Rather than organising across an industry, Boston firms have started to work with the local education system through the Boston Private Industry Council.

The Boston Compact that has emerged is based on a clear trade between industry and education. Industry promises priority hiring of Boston High School Graduates in exchange for specific improvements in student performance. In a related initiative two insurance companies, John Hancock and New England Life, have each provided endowments of $1m to the public schools.

"The exciting thing about the Boston Compact is that not only is business well organised locally but it is also aiming at institutional reform rather than ad hoc projects" says Anne Heald of the German Marshal Fund who has followed the project. "Rather than providing money at arms length business is getting into the overall design of programmes."

US firms have also shown considerable innovation in dealing with plant closings and workforce reductions. Ford set up a joint training programme with the Union of Automobile Workers, to provide laid off workers with a route into the job market.

Cummins Engine took a different approach. Faced with the possibility of trimming their workforce by half, the management established a venture capital fund within the firm to start employees on their way.

Throughout, though, there is one common theme. "Businesses are there to make profit and we are there to help them" says Mr Karson, or as IBM put it slightly more philosophically: "We serve our interest best when we serve the public interest."

However, this approach has ensured a consistency and scale of commitment which dwarfs anything done by business elsewhere. And American business is moving ahead in this area.

According to Ford's Ron Taub this is part of a general political shift: "I think we are having to recognise that as the state withdraws from these areas business gets drawn in more and more. And that means we have to be better organised and more thought out about what we are doing."

In Western Europe, the organised movement towards bringing business into the community is more recent—though there are plenty of examples, everywhere, of companies which provided social and other amenities for their workers for a century or more, and which have sought to retain a paternalist style which shrank from creating redundancies and which attempted to soften the blow. A trans-European example: Hans Renold, the Swiss-born, Paris-apprenticed inventor of the bush roller chain introduced into his Manchester factories a 48-hour week, a canteen and a social union for welfare services—all in the 1890s, and way ahead of his fellows. He was, says the Renold company historian, "powerfully influenced in doing so by his reflections upon home conditions in the poor neighbourhood from which many of his workers came."

But the modern variant is different—most of all in taking a corporate concern out into the community, beyond the confines of a present, or even of a past workforce. Per Gyllenhammar, Volvo's busy chairman, has pioneered innovative working practices and styles at his own plants in Sweden: and he has taken the same concern out into a pan-European arena, by forming a group of big industrialists (Agnelli of Fiat, Dekker of Phillips and Sir Ian MacGregor of the National Coal Board among them, to address employment and related problems. Produced under Mr Gyllenhammar's prompting and relying heavily on Volvo's cash, a report by the US Aspen Institute on Work and Human Values (December 1985) drew on transnational research to warn political leaderships that "the strategy of improving economic efficiency without regard to social-political consequences is unavoidable—not on the grounds that it will not work but on the grounds that politically it will not be given the chance to work."

It is perhaps less true to speak of one movement Western Europe, in the sense of a common strategy, as of a common alarm over mass unemployment which is evincing a series of responses, widely differentiated by tradition, industrial structure and culture showing some similar characteristics. In Italy, for example, where the informal economy is of tremendous importance, the company-led initiatives are much less important than, for example, the co-operative movement and regional and municipal level initiatives. In West Germany, the sudden onrush of mass unemployment in the past two years has meant that the response has been later than in the UK and France. In every country, the private sector's actions are intertwined, in increasingly complex ways, with public funding at every level and are generally highly dependent on public funds for their effectiveness: typically, business does not commit large amounts of its own money, but rather large amounts of time and of managerial expertise.

Typical too—and, this unsurprisingly, is a desire to do good to others which doing good to oneself: enlightened self interest is more or less frankly admitted to be the name of the game. On the one hand this can be high street store chains seeking social peace in the neighbourhoods in which they wish to sell their goods: on the other it can be big companies establishing training programmes which can assist their internal labour markets as well as the choices of those they train in the external labour markets. It is a matter of choice, after political choice, as to how cynical one wishes to be about this: most of those who are active in the field prefer to concentrate on the results, rather than the motives.

The UK experience

Among the countries with the most severe and intractable problem, Britain has shown it is prepared to take some (enough?) of Mr Gyllenhammar's message. Business was drawn in to the alleviation of unemployment from the first half of the 1970s, as the unemployment totals grew: as Professor John Richardson of Strathclyde University has pointed out, this was simply an extension of its tripartite role with unions and Government at national level, and that "as the economic crisis worsened, the role of the business community increased in delivering policy responses to the unemployment problem, in providing facilities for the Training Opportunities Scheme courses, in sponsoring those on job creation courses and in providing work experience and training opportunities under the Youth Opportunities Programme and the Youth Training Scheme."

That role, mirrored by all businesses where they had a national corporate identity, gave company executives a certain insight into and experience of a world which they did not generally know at first hand: but when it did begin to encroach upon their experience, and when, in the early 1980s their friends' or their own children could not find work after school or university, and worse, when they saw co-evals in the managerial ranks of other companies being laid off with little hope of a new job—then the feeling that "something must be done" became urgent.

There was a further spur. In the summer of 1980, riots flared in Brixton and elsewhere in London: St Paul's in Bristol followed; after a four year lull, Birmingham's Handsworth burned, and later riots flared again in London's Tottenham and Brixton. The scenes of burning cars, looted shops and (largely) black rioters lunging and parrying with police across high streets like mediaeval armies had been confined to the US or the "special case" of Ulster. Now it was down the road.

Marks and Spencer, holding that the wealth of the high streets depends on the health of the back streets, poured time and effort into areas like Brixton, bringing over urban expert Norma Jarboe on secondment from US Citibank to assist. BAT Industries led the redevelopment of the once famed, then abandoned, Bon Marche department store in Brixton into little shops and workshops, and the transformation of an old transit shed in Liverpool's Toxteth into "managed workshops".

One company — Pilkington — is credited with being the first to set up an organisation which has become the model for others, in the UK and abroad: that was and is the St Helen's Trust, established in the town of the same name since 1978. The company, a world leader in glass making of all kinds, had like others a history of paternalism: but it was the present, rather than the past, which impelled the company into an activist position.

It had developed, under the chairmanship of Sir Alastair Pilkington in the 1970s, the float glass production process which allowed it to produce for its market with many fewer direct production workers: Sir Alastair, looking ahead, realised that the effect on the town would be dramatic. With other employers in the town, with the borough council, the Chamber of Commerce and the local trade union officials, the company began to feel its way towards a role within the community.

The perceived need met a man of ideas and energy in Bill Humphrey, a former Pilkington executive who had worked for Shell, Rank Xerox and for the Manpower Services Commission in London: Humphrey persuaded the committee which Pilkington had assembled that it should back him in establishing the trust with the aim of creating real, new, long term jobs in St. Helens primarily by energising those in the community, both employed and unemployed, to start their own businesses.

The task was huge: Pilkington's workforce was falling, from some 16,000 in the town in 1978 to some 7,000 today: Rockware, another major glass manufacturer, closed its plants, as did Jefferson Smurfit and British Sidac; the General Electric Company, Beechams and Ravenhead Glass were all cutting back. In the eight years between 1978 and the present, one third of the St. Helens workforce was made redundant, and unemployment leapt from the already (then) high level of 8.5 per cent to some 20 per cent.

David Bolt, who succeeded Humphrey as director of the Trust, says that it is "based on the idea that started it — that we should try to get indigenous growth through helping people to have a go and making it easier to have a go". The Trust is a centre for expertise of the kind that an entrepreneur needs — knowledge of what money is available at local, regional and national level in the public and private sectors, a knowledge of what the land and the buildings are and which are suitable, the ability to tailor company plans to the needs of the business and of the investors. Pilkington funds about half of the Trust's £120,000 a year running costs, and — with other companies — provides seconded management.

Anthony Pilkington, the company and the Trust's present chairman, believes his efforts have slowed the tide of unemployment, if not turned it. Significantly, too, he believes the Trust has been able to overcome the factional bitterness which the issue inevitably engenders and which has in other communities produced stasis. "I make only one condition for the board of the Trust — that all of us leave our politics outside of the meeting. Once you enter the room, you're only here to create jobs".

It has done. Mr Bolt says some 450 companies have been started, many in manufacturing: less than 50, he says, have failed. Most are very small, but they are getting bigger: 10 have an initial capitalisation of £100,000 and many are expanding and outgrowing their first plants, with some 60 companies doubling in size in the past year. "We have", says Mr Bolt, "to run fast to keep up with the rate of redundancies: but I think now we may just be turning the corner".

As the Trust was getting into its stride in the early 1980s so the Confederation of British Industry was signalling its alarm. It could feel, too, the cold wind of disaffection: in a document produced in January 1980, it warned that "if the existing system were to lead to socially and politically unacceptable levels of unemployment, then free enterprise itself could be under threat".

Later that year, the Special Programmes Unit was launched, to assist companies to place YOP trainees: after conducting research into the specific problems faced in areas of high unemployment, the unit called for the creation of more local agencies (of the St Helen's type) which could manage and co-ordinate Government funds, promote training and assist in start-ups.

Since then, the CBI has remained wedded to the active promotion of business-led community involvement—stimulated, from time to time, by the pleadings of its more active, or more conscience-stricken members. At the 1981 annual conference, hard on the heels of the London riots, Christopher Bailey of Bristol Channel Ship-repairers proposed an action group on unemployment (set up early in the following year): in 1982, more riots in Brixton and Handsworth helped produce a chorus of concern which was translated into a CBI demand that the Chancellor allocate £1bn to employment creating measures in his next Budget.

But it was Business in the Community which made the real change. Its parentage, oddly, included a Labour Cabinet Minister: Peter Shore, when Environment Secretary in the Callaghan Government, worried by the growth of inner city crime and unemployment, saw public and private partnerships working in the area on the US West Coast and brought his experience back to London to begin discussions between companies and local authorities. Labour left office, but the initiative blossomed into a conference at Sunningdale, from which came a working group which in turn established—as the 1980 riots flared in the course of their sessions—Business in the Community.

BIC, in turn, took off when a member of its board, Stephen O'Brien, sold off his money broking company, Charles Fulton, and was persuaded to denote himself full time to the project. Mr O'Brien, an energetic and committed man, had already started Project Fullamploy while in the City, aimed at providing trainees for youngsters of the kind who were not much in evidence in Threadneedle Street—unskilled, under educated, often black—so he had a track record.

He quickly lifted the organisation into a high profile group which won the trust of Government (which liked self-help) and business (which wanted a vehicle for activity). He forged a relationship with the Prince of Wales, who suggested more work to help the young black unemployed.

Mr O'Brien organised a further conference in Windsor in November 1984, which brought captains of industry into seminars with the footsoldiers from the black neighbourhoods, to the surprise and benefit of both.

BIC used existing institutions—like local enterprise agencies—to build partnerships between public and private projects: through Cathy Ashton, formerly a vice-chairwoman of CND who joined Mr O'Brien in the spring of 1983, it began to overcome the distrust of labour local authorities, unions and politicians. Now, Norman Willis, the TUC general secretary, launches BIC appeals and local left-wingers sit under BIC aegis to talk about job creation with yuppie managers. "Only BIC could do that" says Miss Ashton, "because we insist that all sides consult with each other and reach agreed ways forward."

The movement in the UK is now diverse: the companies which have done most and/or been longest in this field—Marks and Spencer, ICI, Shell, Barclays and the other clearing banks, BAT, Boots, the big brewers, British Steel Corporation, the National Coal Board among them—have been and are being supplemented by newcomers trying to catch a popular tide. They are becoming inventive, too: Shell offers £550 to any employee, or employee's wife or husband, who can invest it in a community group of which he or she is a member: Boots gives its surplus equipment to voluntary groups, and has set up a trust in Nottingham to assist them.

Two contrasting examples—Barclays Bank's Quaker origins have always inclined it to charity: but the unemployment crisis, and Mr Michael Heseltine's Merseyside initiative in 1981, drew it more deeply than before into job creation, both through staff secondments and donations of around £400,000 a year, much of that going to some 100 enterprise agencies, and to Project Full Employ.

Colin Harman, head of the bank's social responsibility group, says that he concentrates on youth unemployment, and on areas where the state does not have a direct role which it might supplant. He is frank about the bank's enlightened self interest: "The bank has to get out and make sure that people know what we are doing and that we are acting in a responsible way, rather than just being associated with big profits and South Africa."

The National Coal Board, on the other hand, had been for the 40 years of its existence a state corporation with defined duties to its workers and the environment—but with no formal concern for unemployement or the community in a broader sense. But in early 1985, as the year-long miners' strike drew to a close and as a result of prompting from Peter Walker, the Energy Secretary, it established NCB Eneterprise to, in the words of Merrick Spanton, its chairman, "assist in the creation of long-term job opportunities in the coalfield areas of the UK and hence to assist in wealth creation for the country as a whole."

The funds allocated to it from Government, initially £5m, have been quadrupled to £20m: the rise is not unconnected to the very large pit closure programme which has followed the end of the miners' strike. Its accent has been on helping the unemployed start up in business for themselves, through creating places in managed workshops and through training in new skills: it is also looking out for new investment, both domestic and foreign. In its first year of life it managed to create 500 job opportunities a month: it has doubled its target to 1,000 for this year.

All of this activity, as well as seeking to assist entrepreneurs, is giving birth to its own as well in a full circular movement. Peter Whates, a former development officer at the Volunteer Centre, set up earlier this year as a "corporate social responsibility consultant": so far, he makes a living from his home near Milton Keynes. He helped develop, over the last four years, a programme called Crossover (funded by the Rowntree Trust) which eases employees into early retirement by setting them new goals in the voluntary sector. The programme recognises that people retiring in their 60s or early 50s have 20 to 30 years of active life ahead—a further working lifetime in which the desire to do something useful can meet the huge need for useful work to be done.

For all of this the British experiance is in many ways still quite shallow. Executives are still given depreciating sneers at the business of "doing the socially responsible thing." "It may," says Mr Whates, "turn out to be just the 80s thing, like quality circles and workers' involvement." But the roots are getting deeper and stronger.

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The French experience

French employers, too, have seen riots—notably in Lorraine—as well as continuing inter-communal and racial tensions in the cities, especially Marseilles. And like the British, the French Government has sought to assist initially grudging private benevolence with public generosity: with programmes like "Chomeurs Createurs" (the unemployed as entrepreneurs), which seeks to give a self-start boost to the jobless. The previous socialist government was initially doubtful over the role of the private sector in unemployment relief, and the doubts were more than met on the private sector's side: but in the latter part of its term of office, and now under the centre-right coalition Government of Jacques Chirac, more encouragement is being given and business feels it incumbent upon it to prove its social fides.

The underlying problem, says Etienne Crespel, a senior executive of the Compagnie Generale d'Electricite — the electronics, power and telecommunications group — is the continued drop in industrial employment, with 1m industrial jobs lost over the past ten years. "Just as we had a rural exodus in France, so now, even as that exodus is still continuing, we have an industrial exodus too. No big industrial group can avoid the consequences. As our productivity rises (by 8 per cent in many of CGE's activities) faster than our sales (around 4 per cent), so the difference is people who must go. The trend will continue for at least five years: beyond that we don't know".

In January 1983, Mr Crespel was seconded to begin CGE PI (Promotion Industriel), now composed of a team of youngish managers in the solid CGE headquarters in Paris's Rue La Boetie who advise and chivvy the group's affiliates—like the power company Alsthom Atlantique, the telecommunications group CIT Alcatel and the cable makers Cables de Lyon—into assisting the unemployed. In part it is there to stimulate self employment—"people may have a good idea or a new technique but lack money or expertise: we can bring all these together": in part it is trying to tempt companies, French and foreign, into high unemployment areas.

It is slow and hard work: but it has had some results: the Italian Pacchetti company set up a precision forge through its French subsidiary ATS in Ales with 50 jobs at the end of last year, and the Norwegian company Tandberg employs 75 to make computer terminals in Lannion, North Britanny. Mr Crespel has taken a similar route to Shell in encouraging people to lend a hand: Jacques Billaud, a manager at CGE's optronics lab got a week's cruise to the Antilles for two from CGE for *his* part in attracting the Pacchetti investment — a bonus that is available for all who do likewise.

Mr Crespel voices a credo common to managers in his position from the "enlightened" companies: "when your plant has been in a community for decades — to be sure it has paid its taxes and brought wealth: but is has also *taken* wealth and skills and education from the place — so we have a responsibility to give it back when we get out".

On a bigger scale than CGE, Elf Aquitaine, the oil and chemicals group, has set up structures to assist the start and growth of small and medium-sized companies both to assist employment and to support Elf's chemical plants. Early in the field, it created several regional investment funds in the mid-1970s, and technical support centres in the 1980s.

Activity centres on the Aquitaine region, where the company's natural gas resources are running down: Henri Deries, business manager of Elf's regional finance company SOFREA says that over the past five years the company has had a hand in providing technical and financial aid to more than 800 companies, arranging millions of dollars in loans and helping create or save 20,000 jobs. The results, says Mr Deries, "give a new dimension to the traditional relationships between large corporations and small businesses".

But in France as elsewhere, the efforts of managers often beat feebly against economic and industrial restructuring, forces which dwarf their efforts with their power. Yves Benard, from the Moet base at Epernay, the capital of champagne country, says that the town's two other industries — timber and car seat manufacture — have in the first place declined and in the second closed down following industrial disputes. At 11 per cent, the town is 2 per cent over the national employment rate — "but champagne has created a high wage economy and companies who come in offering low wages find wage claims pushing them beyond what they're willing to pay. Workers here won't work for lower wages — and besides, companies and institutes prefer to move south, where it's warm."

Mr Benard has started a programme of apprenticeship training for young people in vineyard culture and, through an association of young managers of which he is a member, has set up a finance company to assist struggling young entrepreneurs who have ideas and nothing else. But his activism is coloured with a certain pessimism: "We have the responsibility to prove that a liberal society can be dynamic and at the same time care for those who are laid off. If we don't do that, then I don't know what kind of employers we would be".

The German experience

West German employers were late at the social responsibility starting gate, in part because employment has hit them late, in part because they already *have* a form of "social responsibility" in the country's admired training system and co-determination practice, which has worked relatively well and to which all parties, albeit with less enthusiasm than in the past, remain committed. Some industrialists, like Thyssen Engineering's Werner Bartels, dismiss the notion of employment creation curtly: "We don't see it as our job to help people start up their own companies."

But at the company's Duisburg headquarters, Hans Gert Woelke, the Thyssen board member for personnel, takes a more sanguine view. It is a grimy steel town with the Thyssen works slap inside of it: the company employs some 31,000 in its steel division, but that is down 20,000 from its late 1970s peak and many of these came out of Duisburg's hide. Unemployment there now stands at 15.2 per cent.

Mr Woelke had a meeting earlier this year with a group of the town's ministers and confesses to having been shocked by the witness they bore on the effects of long-term unemployment on their flocks and his ex-workers. "I heard things I scarcely could believe were true. There are men who have been unemployed for years—they leave their homes early in the morning and come back at 5.00 at night to give the impression to their children they are working." Mr Woelke says the company is about to take an active interest in their fate. "We are prepared, to a certain extent, to put money into this."

But in large measure it has been through the apprenticeship system that German companies have played the social role so far: by staffing up with more apprentices than they need. At Thyssen, the crude numbers of apprentices in the steel division has remained the same—around 3,000—while their percentage to the rest of the workforce has grown from 5-6 per cent to 12 per cent. "If we didn't do this we'd increase unemployment even more," says Mr Woelke.

In Wesseling, Mayor Alfons Mueller is looking at an unemployment rate at a relatively benign 6 per cent, less than half that of neighbouring Cologne's 13 per cent. This low figure has meant that one of the town's three big chemical employers have felt impelled to dabble in community schemes (they have some 400 young trainees among them)—though Mr Mueller himself has set up a training school for young workers, run by the Rheinishe Beruf Akademie, and the Catholic Workers Association, of which he is president runs another training institute for youngsters with 110 places. "The trouble is," Mr Mueller grumbles, "the young often lack motivation."

Germany's next problem, not so far down the road, is a possible labour shortage as the population shrinks in the 1990s and beyond: this approaching people-famine limits employers' desire to act on the present surplus—though there are the beginnings, strong especially in the suddenly unemployed Ruhr towns, of a willingness to give "friendly uncle" assistance to entrepreneurs. Siemens, the country's biggest electrical manufacturer, has for several years assisted the unemployed to start small businesses sometimes using company patents and technologies. The challenge for both private companies and public authorities, says Christopher Hull, a researcher at West Berlin's Science Centre, "is to conceive and implement strategies of intermediation between firms in need and institutions with problem-solving resources. What is required is not so much to throw money, advice, etc at the small firm sector in general as to improve the mechanisms whereby the available resources are effectively relayed to the individual firm."

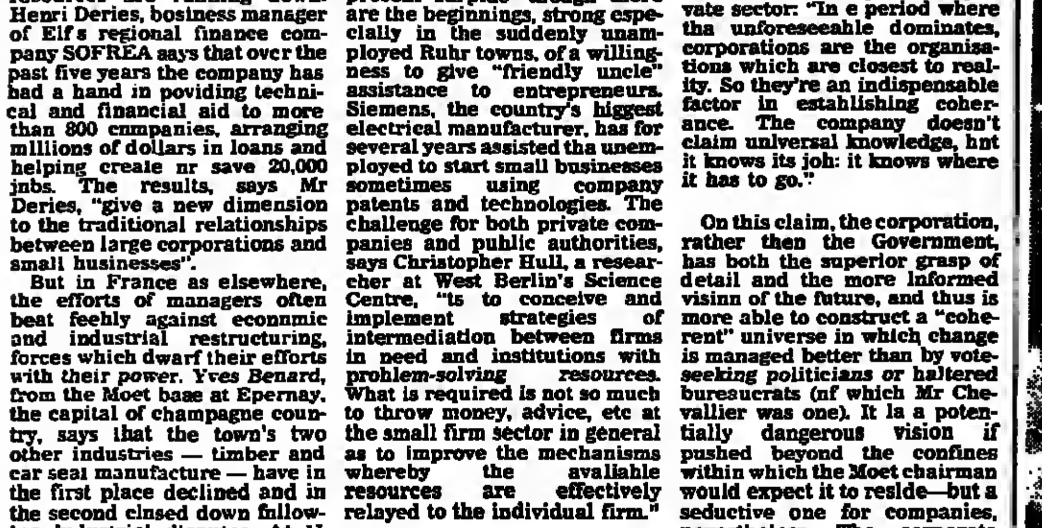
Conclusion

The notable absentee from concern of this kind among the leading industrial economies is Japan: caring capitalism has so far been given short shrift in that hustling country—or rather, it has been thriving *within* the confines of the large companies. The lifetime employment system, though limited to the big, so far expanding companies, is the mutual glory of the employers and the unions and both work hard at retaining it, which means tolerating (to date) the rigidities it has imposed. An unemployment rate of around 3 per cent does not dictate a change of attitude: though the Japanese will on occasion admit a tendency to be indifferent to those they define as outside of the "family"—whether the real family or the company one—the still evident stability will have to deteriorate sharply before they rethink their industrial culture.

But it is possible to argue that those countries where the corporations are doing most to develop community programmes—the UK, France, following the US lead—are those where corporations were anyway lagging in demonstrating the kind of welfarist approach which Japanese and West German companies have done for decades, and where the corporate culture has been only sporadically public and ambitious enough to lead and shape social issues.

But this is likely to change. Alain Chevallier, Moet Hennessy's chairman and an énarque to his fingertips, makes large claims for the scope of the private sector: "In a period where the unforeseeable dominates, corporations are the organisations which are closest to reality. So they're an indispensable factor in establishing coherence. The company doesn't claim universal knowledge, but it knows its job: it knows where it has to go."

On this claim, the corporation, rather than the Government, has both the superior grasp of detail and the more informed vision of the future, and thus is more able to construct a "coherent" universe in which change is managed better than by vote-seeking politicians or harried bureaucrats (of which Mr Chevallier was one). It is a potentially dangerous vision if pushed beyond the confines within which the Moet chairman would expect it to reside—but a seductive one for companies, nevertheless. The corporate plunge into society has helped address, often inadequately but always better than nothing, the largest social problem of the day. It has left some executives exhilarated by the experience, unlikely to wish to come out of the water yet awhile.



Dolly Talbot of 'Illustrations' in the Brixton Enterprise Centre — Glenn Copus

RALF DAHRENDORF

When people are just punch-balls

THERE IS a curious paradox about work in the modern world: in more ways than one, people's lives depend on it and yet we have done almost everything in our power to reduce its burden. In a sense, we—the interest groups, parties and governments of modern societies—have acted as if we want least what we need most. Many otherwise puzzling phenomena have to do with this paradox and as we look for solutions, we have to remember its origins.

People's lives continue to depend on work. This is not a vague, philosophical statement but a hard fact. Paid employment, crystallised as it usually is in jobs, is at the core of social organisation and individual identity. It provides people with the means of existence both by direct income and by being the basis of transfer income. It is the reference point of most entitlements which define people's chances of participation. It describes the pattern which structures people's days, years, lives. Most other activities, including education and leisure time pursuits and retirement, appear related to the requirement of work. Once this pattern begins to crumble, people begin to wonder what to do with their lives. In this sense, it remains true to say that modern societies are work societies.

But work is dwindling and continues to do so. Two processes conspire to bring about this affect. There is the deliberate *attempt not only* to make work easier in physical terms but to reduce the hours which people spend at their jobs. Few now work much more than half the days of the year and half the waking hours on these days. There is also the cumulative effect of technical change. Technology may create new jobs, but it also replaces human labour. Perhaps, both the deliberate reduction and the replacement of work by technical processes have a common factor, that is, the cost of work. But whatever the reasons, the picture of life has changed. Education, leisure, retirement have gained in importance while work has lost.

It is useful to remember this background as one discusses the three most obvious effects of the paradox of work: significant long-term unemployment, changes in the nature of work and possible changes in the dominant features of people's lives.

Economists like to argue that if only labour markets were functioning properly, there would be no unemployment. In theory, they are obviously right, but then the theory is little more than a definition of labour markets. In reality, at least two major issues cannot be overlooked. One is the cost of removing all obstacles to the functioning of labour markets. These obstacles are from another point of view the achievements of a century of social reform. They include reasonable real wages, systems of income transfer and thus non-wage labour cost, in fact the whole paraphernalia of the welfare state. Dismantling the welfare state would lower effective demand and recreate conditions of conflict which social policy helped to mitigate. One must wonder whether anyone can regard the cost of such policies as bearable.

But there is another issue. It is that modern economies require less working time from individuals than they used to a century or even a quarter-century ago. Current levels of welfare can be sustained, and significant growth brought about, while individuals spend less rather than more time in paid employment. In this sense, and in this sense only, the work society is running out of work. Less dramatically put, the seemingly abundant service of human work—of paid and payable employment, to be sure—is getting scarce.

This takes us straight to the most serious aspect of contemporary unemployment. Scarcity often raises issues of distribution; scarcity of work is no exception. Those who have work, cling to it; those who do not have it often try in vain to get it. In the present world the haves are of course the overwhelming majority. But this merely serves to emphasise their power. Virtually all known organisations and institutions conspire to draw a boundary between those at work and those out of it. It is particularly difficult for those to get in who have never been in, that is for the young. But the predicament of immigrants, or of those who for reason outside their control have dropped through the net once, is not much better. The majority class protects its interest thus contributes to the emergence of a new underclass.

This is not true in all countries nor is it the whole truth anywhere. The most important qualification is that the boundary between the new classes is not hard and fast. Increasingly, a grey area is developing which includes those on limited-term contracts or part-time work, in some countries those who for reasons of seniority are the first to go if there have to be lay-offs. The Japanese notion of a core workforce and a periphery of less stable employment appears to become general. This is not said with purely critical intent. Not only is such unorthodox employment for many the only way into the world of work, but it also offers at times a highly desirable combination of adaptability for enterprises and flexibility for individuals. Moreover, it may be the beginning of a new distribution of work, though one which appears more precarious than the one to which we have grown accustomed.

For some redistribution of work is necessary. The unemployed are an indictment of all societies and call for the revival of the spirit of citizenship which has informed so much of the history of the past two centuries. This means that increases in productivity cannot in future simply be translated into wage increases for those who have work. Some of these increases will have to be translated into time, thus making it possible for those who were, and are defined out to rejoin the fold. In this sense a least, the debate about working time is relevant, though it is used by both sides of industry for ulterior as well as prima facie objectives.

It is appropriate at this point to remember the background notion from which we started, and the other problems of the nature of work and the dominant features of people's lives. The desire to reduce the burden of work was not some far-fetched idea. It had to do with an ancient notion which has been expressed in different ways. Men have to do things to live, and they want to do things to express their talents and interests. There is the "realm of necessity," work, and the "realm of freedom." One need not even think of Marx's distinction between the two where one is concerned with necessities in the narrow sense whereas the other is a luxury, rather like the mistaken notion of leisure which is still about. Work and activity can be two principles of everything we do. If that is how we see them, the paradox of modern societies may be turned to advantage.

In the world of work this would mean a greater concentration on what is sometimes called, the quality of work. Attempts to increase the sphere of personal decisions in work processes, the autonomy of groups, the extent of individual inputs have been made in many industries, and they have succeeded. Everywhere, there are possibilities of increasing people's control over time. "Flexitime"—flexidays, flexiweeks, flexiyears—is just one example. It is possible to transform work into activity, or at any rate to inject a sense of activity into many work processes. Such changes can be combined with the translation of productivity increases into time. The result might well be a classical positive-sum game: greater efficiency, greater satisfaction, more employment.

The principle of activity applies of course to people's entire lives. The mistaken notion of leisure to which we have alluded is still widespread. Its essence is that working time is filled with all kinds of needs and rules, duties as well as satisfactions, whereas leisure time is essentially empty, there to be filled by anything, by junk food for the soul, as it were. What an extraordinary waste of lives! Against such fallacies one cannot emphasise too strongly that human life is, or should be, activity throughout. It is about doing things rather than sitting passively to be entertained, or perhaps just used. In this process of activity education is not a functional, but an autonomous endeavour. Even traditional skills have a firm place in this connection. With the emergence of jobs the unity of life and work which has characterised the ages has been lost, though enormous opportunities of growth have been gained. Perhaps there are ways of putting the two, life and work, together again as a continuous stream of activity.

One further thought is in place. Using the opportunities of the work society which is running out of work rather than moaning about it, will certainly not solve all problems. Above all, it will continue to be true that there is much to do that is not done because we cannot afford it, and it does not lend itself to voluntary activity. It would seem that this is the place to revive the old notion of service, however objectionable it may seem to some. A general community service, building on the many voluntary beginnings which already exist, could be a part of a more sensible world.

To many, all this will sound idealistic, or at any rate philosophical. They should consider the alternative. The paradox is real: we have reduced what our societies are built on, work. We cannot undo such change and return to an earlier age, nor should we. Thus, we must deal with it in a forward-looking manner This involves a few hard decisions. The majority class will resist any attempt to re-distribute employment, as it is doing already. As long as it succeeds, unemployment will remain high, and will threaten the fabric of our societies. Moreover, if we do not recognise the opportunities of autonomous activity which we are offered by changes in the world of work, a heteronomous existence will become even more prevalent. People will be the punch-balls of influences which no one controls, unless someone manages to control them for his personal power. Social stability as well as liberty depend on our grasping the nettle. The future of work is the test.

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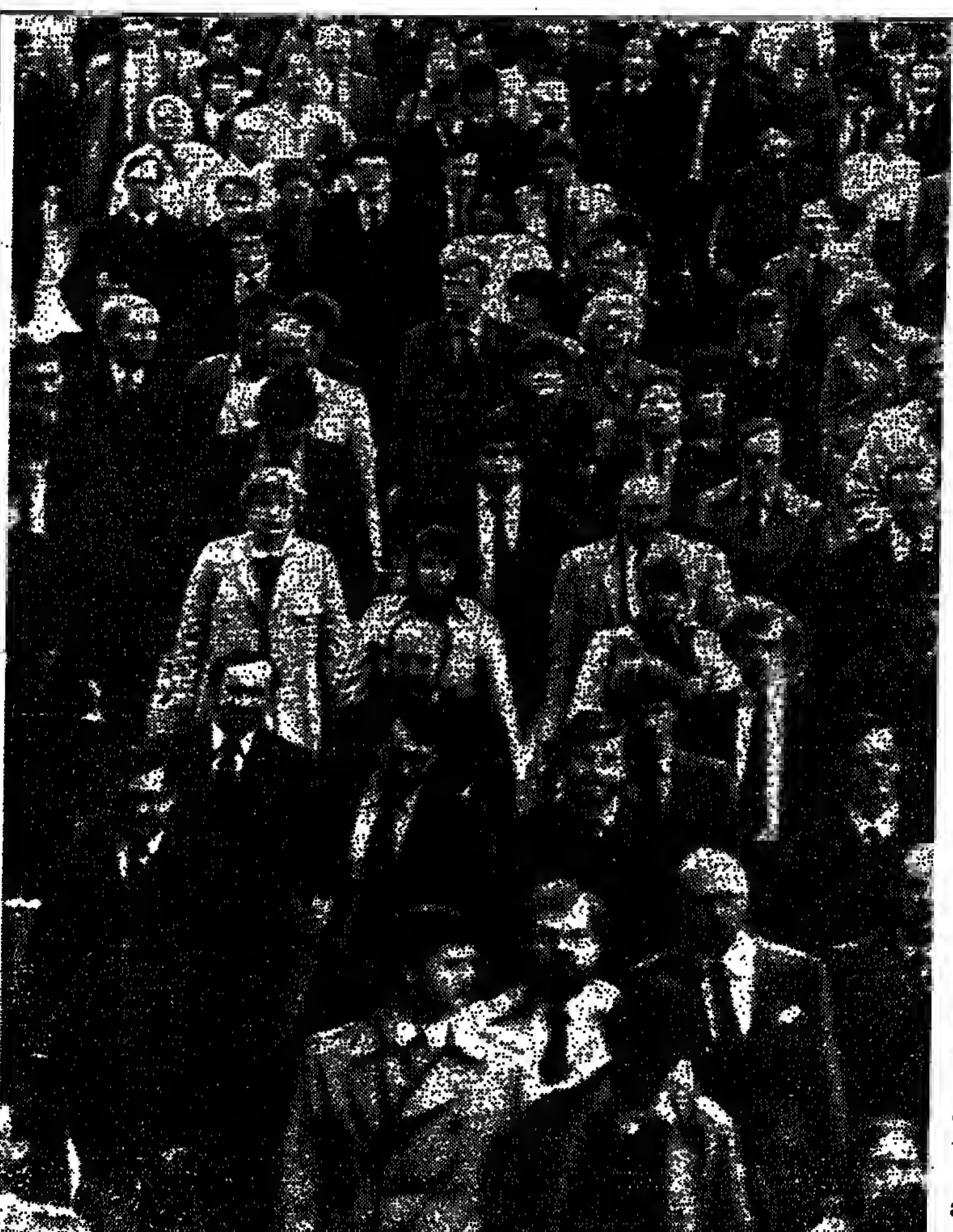

8

THE UNIONS

The battle now is against oblivion

From San Diego up to Maine
In every mine and mill,
Where working men defend their rights
It's there you'll find Joe Hill.
Ballad of Joe Hill, US folk song

WILL THEY? Will Joe Hill, the spirit of unionism past, still make converts when the mines and mills are transformed into robotised plants and fast food joints? Is the freedom of men (and women) still dependent on being (as a British pop song put it a decade ago) "part of the union"? Or is freedom now being exercised to choose *not* to be part of a union, because it is no longer necessary, or politically attractive, or just plain worth the money?

"The members," says Yoichi Takahashi, president of the Hitachi Workers Union, "are changing. We all have lots of *things*. They are losing some of their dedication to unions. They are losing their enthusiasm for corporate life and putting more emphasis on families and personal life."

And Richard Vine, an American in Paris, director of the Atlantic Institute, puts it with Anglo Saxon bluntness: "The political power of the unions is at an end, though they still possibly have the power to tie up governments."

Everyone—antagonists, supporters, themselves — are telling unions to "change and adapt" in order to survive. But there is a real question in this—what to change and adapt to? To be sure, unions were being written off in the late 1950s, when unionisation rates, especially in the US and West Germany, were falling sharply: but the recovery in Western European unions (not in Japan or the US, where rates continued to fall, though very slowly in Japan) owed a great deal to the growth of the public sector and white-collar salariats, many of whom were unionised using industrial unionist techniques. Now, the "new workers" are usually in small companies, or are in secondary labour markets where they slip in and out of jobs, or are working for high-tech companies or service companies with little or no traditions of unionism and often with personnel policies designed to keep them out: above all, the unions do not have the assistance of (most) governments.

Colin Crouch, a fellow of Trinity College, Oxford, points out that union strengths have fluctuated widely for 70 years or more—but concedes that "there are good reason for seeing a difficult future for European (and US) trade unionism for some years ahead . . . the context of the 1970s was one of demonstrable success for union bargaining activity and of increasing incorporation of unions into national policy making by governments. It must be doubted whether white-collar unionisation will proceed at the same pace during a prolonged recession when unions are no longer playing a central political role."

Unions are abjured to give up class politics, especially in those countries, like France, Italy and the UK, where class struggle has been explicitly or implicitly feature of their activities: and it is certain that the classic confrontation which had this dimension inscribed within it—the UK mineworkers' strike of 1984-85—has acted as a warning light, rather than a beacon, for unions everywhere. But what is their alternative? Arthur Scargill, the British mineworkers' president, was fond of saying that in launching his men against the industry's management and the Government, he was repudiating the policies of John L. Lewis—the acquiescence, by the president of the US mineworkers in the 1940s and 1950s, in cutbacks in workforce in exchange for more cash for those who remained. That repudiation led to sacrifices for nothing: yet today's Lewises find themselves on shifting ground, too, facing tough, battered employers who want to cut both numbers and pay.

"They can't take the John L. Lewis route," says Richard Vine, "because a lot of employers want hardly any industrial workers at all, because you'll no longer have a large-scale industrial process. In another 20 years you just won't have huge production centres."

Underlying the decline of unionism is, of course, the rise of unemployment: that has shattered unions' industrial, social and political strength, snatched away their members in the best unionised, least adaptable areas and corralled them into often desperate, rarely well supported protests against the scourge. The recessionary pressure which largely gave rise to mass unemployment meant that employers usually meant it when they threatened to close plants, that members were scared out of militancy which they anyway saw as hopeless, and that the solidarity bred of self confidence shrivelled to each man, or plant, for himself.

The reason most commonly adduced, after unemployment, for trade union weakness is the move into services for manufacturing—because it was in manufacturing that unions first established themselves and, it is argued, they are still totally rooted in that shrinking arena. In general terms, it was not misery or deprivation which created unions in the first industrialised countries—but skill, craft traditions and the ability to exercise a countervailing force on that of the employer. These traditions, reluctantly broadened to include unskilled workers' unions in the early part of the century and mass white-collar unionism in the 1960s, remained dominant to the present—even where, as in most countries, the engineering and other skilled unions like printers, electricians and woodworkers, are in a minority within the movement. This hegemony of craft and skill has meant labour movements which were, which are and which may continue to be strongly interested in the preservation of skill and skill differentials, often conservative in that they are resistant to changes in skill patterns, tending to be socialist or social democratic (in Italy and France, often Communist) in political choice, tending towards an inner-union democracy based on activism and strongly oriented towards male workers.

It is not inevitable that unions do badly when the service sector grows: public sector growth was one of the reasons why union membership grew in the 1960s and 1970s. The industrial model of unionism is well adapted to recruiting and organising large numbers of, for example, civil service clerical workers—though where unions were politically high profile, as in France, workers in the Government sector often felt, or were (as in West Germany), constrained from joining.

But perhaps unionism by its very *nature* is unsuited to organising the confusing mix of workers who increasingly characterise the labour markets—and it is not at all suited, and has only recently and half-heartedly tried, to organise ex-workers on the dole and about-to-be workers in training schemes. In a major and sober report on "the changing situation for workers and their unions," the US AFL-CIO notes that, by 1990, 75 per cent of the US workforce will be in (mainly private) service industries, but that only 20 per cent of its 1985 membership is in these sectors (heavily concentrated in state and federal bureaucracies, at that).

The report says: "Increasingly, workers are members of two-earner and even three-earner families in which one or more individual works part-time; indeed, approximately 20 per cent of the workforce holds a part-time job. At the same time, more workers are employed in unstable operations whose life span is a few years, rather than several decades, and are classified as 'independent contractors' or 'managers' or 'supervisors' rather than as 'employees'. These interrelated developments dilute the incentive to run the risks currently associated with engaging in organising activity . . ."

This switch from primary and secondary manufacturing employment to services has meant that the proportion of women workers (especially part-time) has grown steadily in all countries: they, together with many new entrants into the jobs market, often find unions either unappealing, or daunting, *or even uninterested*. In many countries, with the possible exception of the Scandinavian states, unions have so far had real difficulties in transmitting their culture across the sexual division and, now, across the generation gap. Alfred Pankert, chief of the Labour-Management Relations Section at the ILO, notes that labour market changes "with a dynamic of their own" include in particular "the mass arrival of women on the labour market and the quest by certain groups, especially women and young people, impelled by necessity or personal taste, for new lift-styles in which work occupies a less important and restricting role than in the past."

When Mr Takahashi, from his perspective as the company union boss, laments the decline in corporate values, he does so both for the union and the company: indeed, like many Japanese union leaders (but not *only* the Japanese) he sees the two as essentially indivisible. Japanese managers and intellectuals devote much agonising to this: Takeshi Ishida of Tokyo University, noting a big steel company poll which showed declining loyalty to company and union in more or less equal measure over a 12-year period, says that "increasing bureaucratisation (in large organisations) inevitably intensifies the member's sense of alienation and apathy, and thus leads to a weakening of loyalty despite the organisation's emphasis on conformity."

All of this is happening as managements and governments are getting tougher. In the 1980s, of all the advanced industrial countries, only France passed legislation which was "friendly" to the unions (the series of Auroux Laws, which underpinned workplace and bargaining rights—but even this did not prevent a continued decline in union membership.

In the US, the Labor Department wholly ceased to be big labour's voice in the administration and instead became, often, its antagonist: the National *Labour Relations Board's* judgments on the crucial issue of union recognition were, the unions felt, generally hostile. In Japan, the Government maintained its accustomed hands-off stance on industrial relations—but its tentative steps towards market liberalisation—as in the recent legalisation of contract labour companies—is seen as weakening organised labour. In West Germany, the passing of "Paragraph 116," making it more difficult for those benefiting from strikes to claim social security during a strike which lays them off, has united the labour movement in a least rhetorical denunciation of the Kohl Government, and led to the unprecedented absence of an invitation to the Federal Chancellor to speak at the unions' annual conference in June; in Italy, the Craxi Government succeeded in breaking the automatic indexation of wages (the "scala mobile") in the summer of 1985, after the most rousing of campaigns by the unions and the powerful Communist Party.

Britain is a case apart. There, a powerful and proud (even smug?) union movement met a Thatcher Government first elected, in 1979, on an explicit mandate to "redress the balance of power." Aided immensely by unemployment, by a hostile-to-unions media and not a little by union and labour movement foot-shooting (including an incredible opposition to mandatory balloting), the Thatcher Government brought in two employment acts and a trade union act which curtailed the scope of industrial action, opened union funds to legal action and enforced ballots on the election of executives, strikes and the maintenance of political funds. Further, the Government effectively dismantled or froze out the tripartite bodies which had attempted to keep Britain's always ricketty industrial consensus on the road: unions were scarcely listened to in public or in private, and the level of rhetorical attack, though diminishing in the Government's second term, *remains high. Unions in the UK* are far from out, but they remain down: and if Labour recovers its ability to form governments, as recent polls suggest, it will be little thanks to the unions.

Managements in many countries have, of course, often been as keen as some governments to see the union movement weakened—especially in the US (traditionally) the UK (recently) and France (very recently). But in other countries employers have not, in general, either pressed for particular advantages over unions, nor have they sought to alter the essential parameters of the employer-union relationship. It is in these countries where the union movement has continued to prosper, even showing signs of waxing in strength—and it is these countries to which the more battered union movements are looking for role models. The first of these is Japan.

View from Japan

Yes, they *are* different. When this writer went to interview Mr Takahashi of the Hitachi union, he was escorted by three Hitachi managers, one of whom translated the conversation. No one clearly found the matter unusual.

The Toyota Workers Union has four basic principles: the maintenance and improvement of working conditions; independent and democratic management; the inseparability of worker livelihood and company development; and mutual trust based on friendship and loyalty. These in turn are embodied in a joint declaration between management and union, which has as its main headings:

1 "Mutual trust is the basis for labour management relations;

2 "We will work for improved quality and productivity as a way both to ensure the prosperity of the company and maintain and improve labour relations;

3 "We will contribute to the development of the economy by helping the automotive industry to prosper."

And over at Toyota's to-the-death competitor Nissan, Futoshi Fujii, board member for personnel, is at pains to impress on his British interviewer that the well-known resistance by retired Nissan union leader Ichiro Shioji to the investment by the company in a manufacturing plant in north-east England was not—as it would have been in the West—because of fears of foreign investment taking jobs.

"Mr Shioji was opposed," he said, "because it was not clear whether or not we would make a profit. He also believed that we should go ahead with passenger car production expansion in Japan before investment in the UK."

The examples point to a framework of agreement between the enterprise unions and the company managements in which a more or less explicit trade-off is the basis of the "trust" which both sides refer to constantly—a trade-off between employment security and acquiescence in company goals. It does not produce unions which are no more than a robotised transmission belt for suppressing their members: it does produce an industrial culture in which the ends of both are seen to coincide, and there is a real effort to be harmonious about agreeing the means.

The union movement in Japan, though its organisational structure is largely a post-war development, is rich, diverse and highly political: and enterprise unionism is not the whole story. The two big federations—Sohyo (about 4.5m members, largely in the public sector) and Domei (2.2m, mainly in the private sector) are strongly socialist and social democratically-oriented respectively.

A third federation, Churitsuroren (1.5m) is both wholly private sector and politically neutral: while a fourth, Shinsanbetsu, is the last grim and tiny (60,000 member) echo of the once-dominant Communist tendency within the unions.

This structure, and the stance adopted by Japanese enterprise unions, is not due merely to some indefinable national characteristic: it owes much to the national culture in which it operates and from which it springs, but it is also, more than other union movements (except perhaps the West German) the way it is because of conscious *effort* by the *protagonists*. Labour historians often date the watershed of modern Japanese trade unionism to two events: first, to the union-supported and massive protests against the revision of the US-Japan security treaty in 1959, which caused President Eisenhower to cancel a visit and ended the Premiership of Nobusuke Kishi; and second, to a bitterly violent strike at Mitsui Corporation's coalmine in 1959, where the union conducted an ultimately futile struggle against redundancies.

The first of these, according to the Japanese Institute of Labour's account, "gave the Japanese a lesson in democracy and specifically in the importance of gaining a public consensus through democratic procedures." The second caused both unions and management so deeply to rethink their attitudes to each other that "businesses were no longer able to take drastic means to cut manpower such as through outright dismissal, nor were labour unions to attempt excessively violent action such as paralysing management and the production rather than making common efforts through collective bargaining, labour management joint consultation or through complaints adjustment procedures."

This shift away from a period where the Japanese unions were often a byword for *militancy* (they were largely Communist-led for some years after the war) to where they became the complete antithesis of that perception was underpinned by rapid growth from the 1960s.

But it is certain that economic expansion in other advanced countries did not result in the same consensual approach: and when the 1973 oil shock hit energy-poor Japan as hard as anyone, the understanding between unions and management had become sufficiently strong for union leaders, after a one-year leap to recover inflationary losses through large wage settlements, to get through low wage deals and help slash non-energy costs.

Ronald Dore, one of the doyens of foreign scholarship on contemporary Japan, says that the industrial adjustments to the 1973 and 1979-80 oil shocks "would have been impossible if workers, either individually or collectively, had resisted change. In the Japanese context, however, it is wrong to place workers and unions in a secondary position in which they are made to appear always adjusting to change imposed by the Government or management. A truer picture would be to say that workers and unions actually saw the need for adjustment in roughly the same terms as Government and management."

The vehicle for wage increases is the spring wages offensive, or *shunto*. It is a national event, preceded by a sprawling debate on the economy and the position of Japan in the world, conducted by employers, unions, commentators, academics and (obliquely) the Government. To an outsider, it is refreshingly rational and transparent compared with the often hermetic and deliberately extreme positions adopted by the labour-capital protagonists in the West: both sides in Japan go a long way towards dealing with *all* the elements in the pay equation, not just those which benefit them. It is a benign contradiction in the system that the Japanese unions, while largely enterprise-based, are also capable of taking the most global of views—though their critics in and out of Japan say that view is one understandably close to the employers' perspective.

In 1986, the spring offensive was more global than usual: it was in a sense conducted in the glare of world attention. The unions noted with interest that the rest of the world, especially the *US*, was on their side: it was seeking increased domestic demand, which meant higher wages. The unions promptly obliged their foreign allies by putting in for wage increases of up to 7 per cent: they got internal support, too, in the shape of the president of Suntory, the big drinks group, and (obliquely) the Government which felt under pressure from the rest of the advanced world to expand domestic demand and growth.

The big export-dependent companies, fearful of the rising yen, carried the day: the steel companies settled for 2.6 per cent, the shipbuilders for zero: the car manufacturers offered between 4.4 and 4.6 per cent, accepted in April: by May, the settlement level was coming out at just under 4.5 per cent, with the newly privatised telecoms network *NTT* paying 5.8 per cent and the private railways paying between 5.5 and 5.6 per cent. Takeo Naruse, head of research at Nikkeiren, the employers' organisation, says: "Once discussions came to micro, company level, then the big companies, with big exports, made it clear that things were bad—and then discussion became rather reasonable."

Being "rather reasonable" is what Japanese unions are famed for: they are being copied in the US *and* the UK. At Fremont, just south of San Francisco, the joint *Toyota/General* Motors "New *United* Motor Manufacturing Inc" car plant, the United Auto Workers have copied Japanese union attitudes and got jobs back for 2,500 members following a shutdown in 1983 when the then wholly GM-owned operation was swamped with disputes and a huge 20 per cent absentee rate.

That is very similar to what happened at Hitachi's UK subsidiary at *Hirwaun*, a bleak industrial estate just over the hill from the Rhondda Valley. There, a General Electric Company/Hitachi joint venture suffered low productivity and low quality output—until Hitachi took over in 1984, agreed with the electricians' union to operate a single union deal (to the fury of the other unions), issued identical blue jackets to everybody, tore down the status barriers, put rousing mottos everywhere—"We are one" is the Hitachi grand motto—and became terribly efficient.

Japan's employers know when they are on to a good thing. Takashi Kashiwagi, Hitachi's board member for personnel, emphasises the unity of interest and the dislike of *management* for Western-style flexibility: "We here in Hitachi think that lay-offs are bad. It is not that our lifetime employment system is mandatory—rather that management and unions together evolved a practice of avoiding lay-offs. The mobility of human resources is a Western concept: here the concept is to make best use of the resources we have."

Japanese workers very often depend on their enterprises for more than just their jobs: they depend on them for their pensions, for medical care, for housing and for many social activities. (Toshiro Nishiguchi, researching Toyota's labour relations, noted that part of the young managers' work was organising free-time activities for employees who were placed in their educational peer groups. He quotes a weary young manager saying: "On Sundays I have to go to work, dragging my tired body, to do folk dancing with our young ladies. On such occasions I often feel myself foolish and pretty vacant. But I must do it with patience because the primary job of a manager is to improve the morale and atmosphere of the plant.")

It is in part because of this warm embrace—Ronald Dore calls it *"welfare corporatism"*—that Japanese unions simply do not act like their Western brothers. When the two cultures meet, the effect is sometimes comic: at a Ford union officials' conference in Hamburg in April, Hayato Ichihara, president of the union at Mazda (with which Ford is linked) was treated with a mixture of awe and horror by his fellow delegates as he unveiled his "vision of industrial harmony, promoting a creative contribution to automotive culture."

Mazda is to establish a plant outside Detroit in 1987: Ford sees the linkage as a way of Trojan-horsing in Japanese industrial relations to its industrial culture: Mr Ichihara would, many of the delegates thought, soon be the enemy within.

At the same conference, the British Ford negotiators presented a report on the UK emphasising the effectiveness of strike threats and pay deal victories: *Mr* Ichihara and his colleagues smiled benignly, as if it were merely an example of quaintness, on a par with haggis. *Jimmy* Airlie, the (Communist) UK engineering union official who leads union negotiations with Ford, hardly seemed on the same planet as Mr Ichihara: but another British union official did confess that: "We would like to change, but the trouble is we've got so much political baggage we can't get rid of."

The basics of the Japanese system are unlikely to change: indeed, the movement in the West is towards enterprise unionism, rather than a Japanese movement towards industrial or craft unionism. Its crucial accompaniment is economic success: and there are now worries being voiced that a persisting high yen may shake lifetime employment, thus threatening the basic bargain. But for the present, the lesson for unions looking for a future is clearly this: if capitalism works for *them*, it can also work for us—to the point where them and us are *we*. And we, as Hitachi would say, are one.

View from Germany

The same union conference at which Mr Ichihara so offended Western sensibilities was attended by representatives of Industrie Gewerkschaft Metall, the 2m-strong West German engineering union, the most powerful in the world. IG Metall members work in Ford Germany: they are also on the board. One of the main reasons why the European Ford unions cannot formulate effective policy is the tacit but powerful opposition of IG Metall to moves they see as dangerous to the company and their position in it. An International Metalworkers Federation official attending the event said: "The Germans are the good part of the European company. The German unions know this and are keen to keep pole position."

That is so. The German union-management relationship is under strain now, but you have the feeling that it can hear it. Also, the level of hostility expressed towards the Kohl Government is a little—by international *standards—overdone*. The steeply rising unemployment curve shocked the unions and the Kohl Government, often under prompting from its liberal partners, has gingerly trimmed a few union sails. But the central social democratic basis of the state is yet intact: as with the Japanese unions and managements (and many who know both countries remark on the parallel) the social partners deem there is more to gain by hanging together than hanging separately.

"Social equilibrium and social stability are the most important elements of a political infrastructure," says Monika Wulf Mathies, leader of OTV, the public service workers' union. This, perhaps, is incontestable in all countries, but you would not hear it from (say) a British, French or Italian union leader. The shared concern, still (like Japan) to overlay the

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desolation of a self-induced defeat with social peace and material success still operates: the mixed economy still functions, and the main actors still have the big parts.

Bernd Heinzemenn, a senior official in the Bundesvereinigung des Deutschen Arbeitgeberverbände (employers' association) says: "Here the unions have a stake in the collective bargaining process. We need strong partners, so that agreements can be honoured at all levels." The strength is only in part at national level: more important (more similarity with the Japanese) is the plant level relationship, where the co-determination and works council system which puts workers on the board and ingrains consultation into the industrial process is enshrined in law. Says Mr Heinzemann: "The workers council leaders are a little like the princes of the old independent German states. They are more powerful in their plants than the national union leaders. The relations at plants with workers' councils function well, independent of the relations at national level."

On the Thyssen supervisory board, Hans Mayr, president of IG Metall, sits as first deputy chairman; Karlheinz Weihs, a roll turner, is one of the two deputy chairmen; Robert Baumann, a safety foreman, Kurt Kistner, a cost account clerk and Herbert Mosel, an electrician, are board members, as are three union officials. Mr Mayr and Hans Gert Woelke, the executive board member for personnel, talk often and openly; recently, Mr Woelke pointed out to his nominal superior that the union policy of enforcing the same hourly rate in the group's Emden and Hamburg shipyards made life difficult in a fearsomely competitive market: Mr Mayr said there was no chance of changing policy: the conversations will continue. "Perhaps," says Mr Woelke self deprecatingly, "the example of the shipyards is not a good one. Even if we halved the wages we would not be able to compete. South Korea (the main competitor) now functions almost as a military force."

Both men agreed, however, on their opposition to the Government plan (presently postponed) to increase representation of managerial level employees and non-unionised minorities on works councils — a Liberal (FDP) initiative which the Government majority party (CDU) had half-heartedly pushed. "If it were changed it would make my job more difficult," says Mr Woelke; "we would have two groups on the board compeling for representation and influence."

Over in Essen, at Thyssen Industries, Werner Bartels chafes more obviously against the restraints but accepts the system: "I have to get agreement from the unions for change: it's sometimes very difficult, sometimes very expensive: over the past three years, we've paid DM 240m in compensations for lay-offs. But I wouldn't like the US system—I know it well, it's sometimes much *more* expensive.

Down at plant level, at Thyssen Industries' Huller Hille machine tool plant in Witten, Heinz Dentzen, the managing director, is categorical: "The unions are looking for profit, like the management, because they know profit is necessary to give jobs. If we have to fire people, the works council knows it five months before and know why."

A shared belief in the necessity of profit, a shared memory of, or grounding in, recent trauma and thus a deliberate emphasis on harmony and stability, even a shared contempt of less well ordered, less successful nations—these really do cross the labour-capital boundaries in both West Germany and Japan. Both are seen as models. It is clearly nonsense to say that others cannot construct something similar, because both these systems *have* been constructed, rather than being a timeless part of the national wallpaper. For the foreseeable future, they will survive: but the internal and external pressures which cause them to be formed may not be felt sufficiently strongly elsewhere to make them wholly exportable.

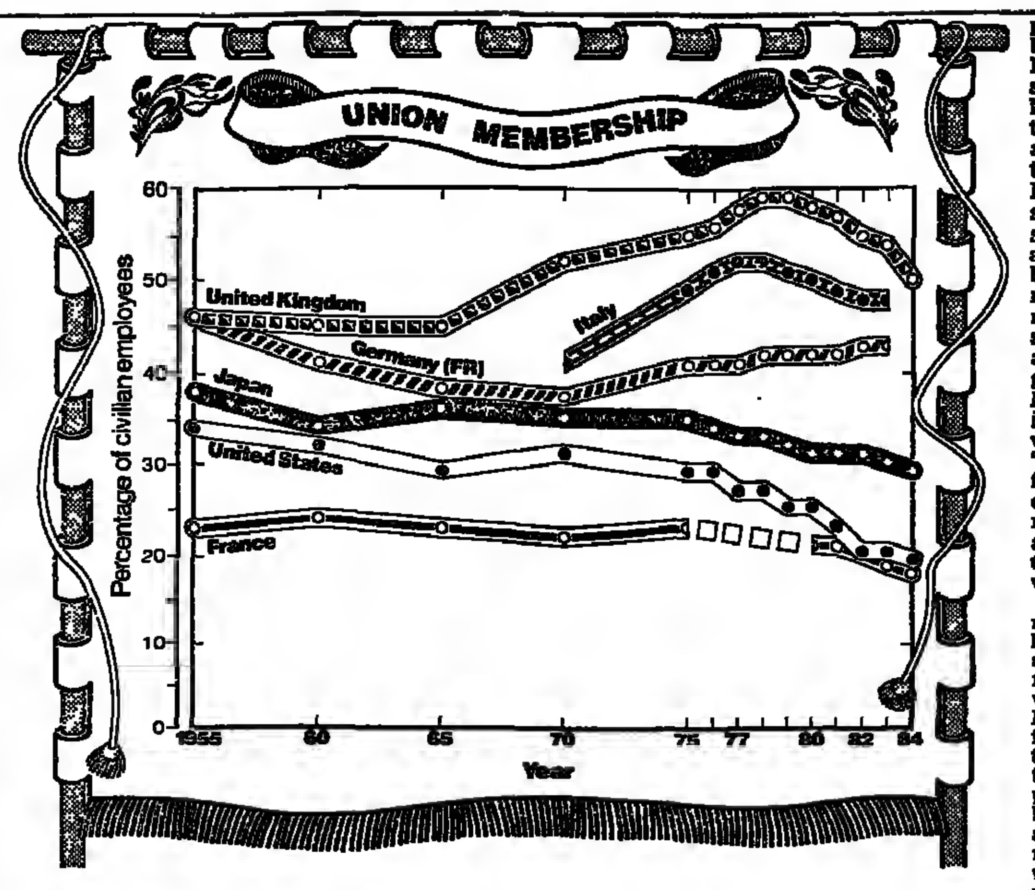
Question of balance

But the fly in the ointment in both countries is, for employers and governments in one way and for the unions in another, the fear of an end to their internationally enviable consensus because of domestic opportunism on the part of one side or the other. Wulf Mathies, in common with almost all trade union leaders in West Germany, is deeply hostile to what she sees as Kohl's imitation of Reagan—and Thatcherite—economics. "In developed countries a new poverty is appearing, creating rivalry between those who have work and those who have not because there will always be a person who is able and willing to take the most miserable job just to make a living."

The denunciation of the Government, which reached a climax at the Deutsche Gerwerkschaftsbund (union federation) conference in June, saw Norbert Blum, Labour Minister, I G Metall member and well to the pro-union left-wing of the CDU, get boos and whistles when introduced to the congress: it also saw a vocal commitment actively and openly to support the opposition Social Democrats in next January's general election. Ernst Breit, the DGB president, told the congress that the Government's proclaimed "turning point" (wende) in economic management was "the work of con-men. There are social engineers at work here against whom we must sell our might ... sand in the gears of neo-conservatism! That would be a badge of honour for us."

This causes great anxiety among employers and on the Right. Alfons Mueller, on Mr Blum's wing of the party and with its base in the Catholic Workers Association, a strong supporter of co-determination and of unions, is particularly concerned: "I'm really worried that the socialists will gain more and more influence in the trade unions and that they have more and more influence on the SPD. We have to think how this can go on—if the DGB unions continue to act in this way, and become better at attacking the Government than the SPD, I think many CDs will leave. I don't know if it will come to a split, but I do hope the DGB realises the dangers of working within a united movement." And he adds, significantly: "The co-operative nature of the modern German system was a result of the Nazi experience—and the problem is that the young officials, and the young company executives, don't have these memories and don't have the same care."

Rheinhard Ebert, head of the DBA's labour market division, believes that the unions are in a quandary constructed of their own success: "They have done a lot for their members and helped to produce wealth. Now they must look for a different basis on which to motivate workers to join and continue to support them. Some of the political actions must be seen in this light: they have been taken to motivate members. But they are speaking more to themselves than to others."



Japan's unions do not have mass unemployment to fuel their dissatisfactions: and the powerful plant union leaders, even less beholden to national union structures than the "state princes" of West Germany, remain consensual and pro-company—so long as the companies continue to deliver full employment, the most carefully policed part of the industrial *bargain*. But they do have alert, ambitious left-wingers in the national union structure who are pushing for greater unity and greater militancy: among them, Hiroshi Takahashi, head of Sohyo's labour policy division, who proclaims a turning point in union wage-push tactics. "Now that we're moving towards service oriented industries, the unions there are playing a major role in wage negotiations, moving away from the dominant role of steel and manufacturing unions." The Nikkeiren employers group concedes that wage levels in services—NTT and railways, for example—were above the average.

Mr Takahashi, typically, appeals to a global view in his criticism of the softness of Japanese enterprise unions: "Because Japanese unions are company level, they are open to being persuaded that things are very bad when the conditions are adverse—but when times are good, the employers simply say nothing, and the unions don't take advantage.

The employers look sourly at this, and grumble, in exactly the same way as their German counterparts, that the left-wingers are getting too powerful. But, also like the West Germans, they continue to believe that the enterprise level unions will retain the *all-important* pragmatism: and in Japan at least, the politicisation of unions is not obvious.

In West Germany clearly, in Japan more ambiguously, there are signs that the balanced corporatism of the post-war period is meeting large tests, and that the power of the unions is under some question. Just as some Western unions are seeking to emulate them, so they are voicing sharp doubts about the advantages of incorporation. What remains, however, is evidence that the corporate model is more or less intact even while much of the advanced world has retreated from corporatism in the name of liberalisation and efficiency.

Main alternative

There is always "on offer" in the labour movement, an alternative to incorporation or oblivion: victory. Victory variously defined as anything between a proletarian syndicalist revolution which displaces the ruling class to a state where the unions have a continuous hegemony over industry and society.

Of the advanced countries, France, Italy and in a rather different way Britain have, since the war, exhibited the *strongest* interest in such a route. In France, the biggest union confederation, the Confédération Générale du Travail, has throughout its history been largely inseparable from the French Communist Party (PCF): even now, where the distance between the industrial and political wings is greater than before, Communists dominate its ruling councils and always provide its general secretary: the present incumbent, Henri Krasucki, is also a member of the party's central committee. The PCF, a flirtation with Eurocommunism in the mid-1970s apart, remains attached both to the Soviet Union and to class struggle: when its militants engage in industrial strife—as at Renault last autumn, and in the 18-month occupation of the SKF ball-bearing plant in Ivry ending last June they are routinely engaged in pitch battles against the police, even against other (non-CGT) workers. When the occupation of Renault plants at Le Mans and Choisy-le-Roi ended in mid-October last year, Pierre Beregovoy, the Socialist Finance Minister, told the CGT that "its current loss of influence can only continue if it keeps on agreeing to serve as an instrument of the Communist Party."

Mr Beregovoy was not being particularly controversial: George Marchais, the now embattled PCF leader, has steadily put pressure on Mr Krasucki to use the CGT as a battering ram against a Government from which, since June 1984 the Communists have been absent and whose policies the PCF saw as class treachery. He was also right about the loss of influence: the CGT's admitted membership has declined from 2.35m members in 1976 to 1.6m in 1983. But no one outside the union believes these figures the steel and mining industry employers federation calculated the 1983 figure to be 980,000, falling to 835,000 in 1984. And in 1985, the CGT affiliate organising merchant navy officers referred to its parent body as being "reduced to less than 800,000." The revolutionary route, even at a time of mounting unemployment under a Government of the moderate Left was being deserted in droves.

Alaine Touraine, one of the best known of France's sociologists, says that "the tragedy of French trade unionism is not its radicalism but its constant subordination of social struggle to political strategies. From that flows its feeble capacity to manage industrial conflict. From that comes the strong grip of the Communist party on the unions."

Some lessons have been taken. The CGT, in common with all other union centres, broke with tradition and gave no guidance to its membership on how to vote in the March elections. But the lessons have not gone too deep: Mr Krasucki, and all other Communists on the CGT executive, signed appeals to vote PCF "in a personal capacity."

The Italian unions suffered a solar plexus blow when, in the midst of a major strike at Fiat in Turin in 1980, thousands of workers took to the streets to demand a return to work. Says Angelo Gennari, an official of the Christian-Democrat-inclined CISL union federation: "After the Fiat strike, the union veto on change was removed. It had an immense psychological impact. For the first time for 15 years, organised workers found another force organised against them."

The defeat of the referendum on the reduction of the *scala mobile* (automatic wage indexation system) in 1985 was a blow for the Communist led union federation, CGIL (the largest) and for the Communist Party. Carlo Pettrucci, of the Confindustria (employers association) says that "this showed an increase in the maturity of the workers"

An index of the change is that the CGIL itself—unlike its Communist Party-led equivalent in France, the CGT—is willing to roll with the punch.

The unions retain their social partnership role: in Italy, as in Germany, a common revulsion from the Fascist period still gives psychological support to an ideology which lays stress on strong and independent bodies. Indeed, the recessions has seen a *strengthening of national* level Government - employers - unions negotiations over issues like deregulation of Italy's labyrinthine labour law framework: while at plant level, negotiations over increased flexibility and productivity have been pushed along by managers.

Cesare Annibaldi at Fiat emphasises that the company has always, still does, negotiate changes (though not the decision to change) with its unions—though its unionisation rate is down to 35.5 per cent from 40 per cent in 1980. He concedes that "in the past, there were some plants where the power of the middle managers compared to shop stewards was not as it should have been." Now, he says, the position is as it should be.

In the 1980s, the automatic (arrogant?) assumptions that workers were disciplinable into political camps by their unions have suffered many knocks, and have receded: the future of Italian unions, assured for the foreseeable period ahead, is nonetheless likely to be more modest than in the 1960s and 1970s.

View from UK

Britain has never had a powerful Communist Party: in part for that reason, in part because the dominant left party, Labour, has never felt it necessary or been able to make the kind of theoretical discrimination between revolutionary and social democratic roads that the German SDP and the French socialists have, radical syndicalism has remained a strong strain within the ranks of a Labour movement routinely, before the 1970s, caricatured as more methodist than Marxist, more carthorse than lion. That strain was, in the 1980s, most ably articulated by Arthur Scargill, elected president of the *National Union of Mineworkers* in 1982 and the 1984-85 mineworkers' strike, in which the "Here We Go" chant lifted from the football terraces expressed, in the heady early months of the strike an apparently endless ambition of the aroused vanguard of the working class.

He was right about that: the miners' strike was the longest, bloodiest, most bitter strike since the (miner-inspired) general strike of 1926. But he was wrong about it radicalising the *labour movement*. Instead, it forced a reluctant Neil Kinnock, the Labour leader, privately, then (after the strike was over) publicly to draw the line between gradualism and the strategy of the coup, between reform and revolution—a service for which much (thought not all) of the Labour Party seemed grateful.

In the wake of the strike, the Labour Party and the unions both saw a general movement to the right in their governing bodies and policies, consolidating a movement dubbed "new realism" which the now retired TUC general secretary Len Murray instituted in 1983, after Labour's slaughter in the general election—but which it took the most obvious object lessons to weld into place.

The revolutionary road, then, appears to be getting rockier—No major figure in Italy or the UK now speaks in the accents of the 1970s radicals: and in France, those who do appear to be speaking from a script they find impossible to put down. In none of the advanced countries does there exist a *persuasive* model for the future which is, as it has been understood for the past century, revolutionary

View to the future

Is it then, a slow decline to oblivion for those unions in the West which have not found some corporate support? Not surprisingly, exactly this perspective was put by a British miner, sacked during the strike and now turned student, to a seminar in the north-east city of Durham: "I think unions are finished. I just don't see any future for them under capitalism."

His pessimism—or, to put in in reverse, the optimism of those who believe and wish that that decline is terminal—is presently excessive. But it is sure that those union movements faced with unfriendly Governments and tougher bosses are finding it hard work re-establishing a social and industrial base on which their futures as major social actors can be guaranteed.

In France, unions are seeking to make themselves more amenable to a modern world which they see *passing them by*.

One way is de-politicisation: it has been evident at least since the 1970s, that the strong political orientation of the French unions has been an albatross: and the probable gainer has been the non-political Force Ouvriere which claims a rise in membership from 837,000 in 1975 to nearly 1.2m in 1984. The most articulate exponent of a new route for the unions has been Edmond Maire, leader of the Confédération Générale Democratique de Travail, a socialist whose support for the Government helped the CFDT's membership fall from around 1m in 1976 to around 530,000 in 1985. Mr Maire has, especially since the March defeat for the Left, pushed his own brand of "new realism"—a mixture of support for the "common good, and individualism."

Mr Maire's redefinition depends on the perception, common to others in other countries, that—as he says—"the historic dynemic of the workers' movement, which sought real emancipation through collective guarantees and social security, is running down.

Huge progress has been made in this area, so that while we must defend these gains in collective provision and extend them to those who don't have them, still no longer sufficient motivation for transforming movement (*une action de transformation*). On the other hand, the change in the nature of work is an essential part of the new trade union perspective. This is wholly new, in that it puts the individual back at the centre of the union."

From there, Mr Maire moves to proposing several highly revisionist thesis—among them that "the company appears to be the main location of wealth creation"; that workers have a "double solidarity", as producers of wealth and as union members; that "achieving a financial result which allows a company to survive is not specifically a capitalist function", and that "we don't seek the total abolition of the private ownership of the means of production, nor do we wish the disappearance of market relations".

This philosophical pragmatism may be only a rationalisation of what happens, naturally, in most enterprises anyway. At Moet Hennessy, Alain Chevallier notes with pride that the company received an award (one of the judges was Edmond Maire) for the way in which it observed the (socialist) Government's labour legislation. Yves Benard's Moet champagne workers are between 30 and 40 per cent unionised—double the French average—and he talks of a "long tradition" of union-management co-operation—"this tradition means that the representatives, even the CGT, take into account the problems of the company. (Our) agreement on flexible working was signed by all the unions—though the CGT probably signed it against the advice of their national leaders. But the CGT has that attitude because we have 50 years of social dialogue behind us".

British agonising has been less elevated, and perhaps the problem is less accute. In gross terms it certainly is: where the lowest estimates put France's unions at around 13 per cent of the working population, few would seriously dispute that the UK unions organise less than 40 per cent, and conventional figures are around 45 per cent. Throughout the Thatcher period, increases in real wages have remained consistently ahead of inflation, leading to a schizoid response from Government which veers from proclaiming that workers have never had it so good to exorting them to have it less good for the sake of international competitiveness

Many sectors, heavily unionised in the better years, remain so now with few problems. John Kerslake, general manager of Barclays personnel division, says: "We respect unions: we see them *as part of* the representative structure of the bank, and we're certainly not out to clobber them. They generally show a high degree of understanding of the pressures and the working of the industry: we wouldn't really want to develop *enterprise* unions—the current position is workable for both sides".

But in the areas where unions exercised a powerful monopoly hold on their industries, British employers have proved that who dares, wins. The steel unions were broken after a ten-week strike in 1980: the civil and health service unions achieved little in their prolonged disputes in 1980 and 1982; the miners were smashed in 1985; even in national newspapers, the drive for new technology and higher profits achieved success as a new newspaper, Today, introduced "single keystroke" printing (cutting out typesetting by printers) and as Rupert Murdoch's News International continued to produce non print union newspapers behind police lines and barbed wire.

Most unions are attempting an accommodation. At one extreme, the electricians union, the EETPU, ha Japanese-style trade unionism, pioneering single union, "no-strike" deals which promise industrial peace for recognition and consultative councils: their main successes have been in Japanese-owned subsidiaries, and they have found followers in the engineering union.

In the centre of the movement, John Edmunds, the clever new leader of the General and Municipal Workers echoes Edmund Maire in identifying individualism as a horse to ride: at his conference in June, he showed his members' figures forecasting relentless employment decline in their best organised sectors, and proposed a campaign to push unions as champions of individual rights—eschewing interested special pleading in favour of real changes for real members.

On the left, Ron Todd, leader of the country's biggest union, the Transport and General Workers, acknowledges that the ground has shifted irreversibly and that unions must develop "the commitment to make sense

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of the new forces"—among which he counts "the amazing power consumers have acquired to change their tastes and demands across a world market".

But the unions, Right and Left, remain umbilically attached to the Labour Party, 80 per cent of whose income they provide. It no longer promises them, as it did in the early 1970s, a union-dominated Labour future: indeed, Neil Kinnock has sought to impress upon them that a future Government which he headed would retain the individual rights legislated in by the present Government, and would pursue what amounts to an anti-inflationary incomes policy irrespective of their putative opposition. But it holds out the hope, at least, of lower unemployment, a return to a corporatist approach, a bolstering of union power at the workplace—certainly enough, in hard times, to retain the loyalty of the union leadership.

Some see the closeness of the relationship as a mistake. John Lyons, leader of the power engineers and a recent convert to the Social Democratic Party, conceded that the TUC should and anyway will retain a "special relationship" with Labour, but insists that "it should enter into discussions with other parties in the country which might form a future Government, or be part of a future Government. The relations will not be the same as with the Labour Party, but it is the TUC's job to influence thinking about the economy, industry, employment and industrial relations legislation in any party likely to take part in the country's future Government."

The battleground, then, is corporatism versus liberalism: the first promises, and already gives, unions a future—the latter is at best ambiguous about it. For the unions of France, Italy and Britain, the search is on for a corporatism which encompasses the "new forces" Ron Todd and others like him uneasily recognise, and convincingly promises a more efficient delivery of the unions' side of the corporate bargain.

There can be no certainty as to the outcome of the unions' strategies. Says Colin Crouch: "In those countries where there is a strong legacy of successful tripartite co-operation, the unions will probably be able to use that legacy to ease some of these dilemmas, and they will face little pressure for attempts by employers and conservative forces to marginalise them. But in countries lacking such traditions the unions' future will be extremely difficult. Despite the increasing integration of the world economy, there is likely to be a divergence in patterns of industrial relations in Western Europe."

The US

The United States is another case apart. There, unionisation is down to French levels—around 15 per cent—but the unions lack the corporate support which still permeates large parts of the French industrial and political establishment.

The post-war industrial relations settlement built on New Deal and wartime policies which were supportive of unions and collective bargaining. Until the 1960s, unionisation appeared accepted as part of the American way in the industrial states.

There were, though, always major companies which took the non-union route: IBM is the most famous, but also Motorola, Sears Roebuck, and Delta Airlines. From the 1960s, new companies, and established companies with weak unionisation, increasingly adopted "human resource management systems" which cut out or by-passed union-dominated collective bargaining by using direct communication with workers, increased (above union minima) pay and enhanced status for supervisory staff. It worked: the unions, mostly organised in the AFL-CIO confederation, did not show any corresponding innovation in their bargaining and organisation strategies, and were progressively corralled into their nothern big-industry redoubts. By the recessionary late 1970s, they were unmistakably in dangerous decline.

Matters bave not improved. The Reagan administration, while its head occasionally likes to recall that he is the first former union president (of the screen nctors' guild) to make it to the White House, has been unremittingly hostile to organised labour. It solved an air traffic controllers' strike by arresting the strikers, destroying the union. It made a series of appointments to the Department of Labor and to the National Labor Relations Board who were openly inimical to unions.

Further, the industrial redoubts were frequently in trouble, and have developed a style of bargaining known as "concessionary" or "give-back" bargaining in which unions only retained their organisation by agreeing to mass redundancies (often large), wage cuts, or wide-scale changes in work organisation, often by lengthening working hours. In some cases, as at General Motors, new Quality of Working Life programmes have been instituted with union support: in others, they have contributed to union weakness.

In an important survey of "US Industrial Relations in Transition," Thomas Kochan, Robert McKersie and Harry Katz argue that "we believe there is a central contradiction in the current operation of US industrial relations. Leaders from all parts of society are calling for an expansion of co-operative efforts at the workplace. They are also asking union leaders to support these co-operative efforts and to continue moderating their wage demands. At the same time, the dominant trend in strategic business and industrial relations decision making at the highest levels within firms is to shift investments and jobs to nonunionised settings. Moreover, Government policies are not creating an environment in which the labor movement can feel secure about its future as a viable force in American society." But where labour is still organised as in the Detroit car industry—it is powerful, and it produces and sustains a rich culture. The Ford Rouge plant in Detroit is such a place.

It looms over south-western Detroit, a mass of smoking chimneys, railroad tracks and factory after factory. The sprawling 1,100-acre Ford Rouge complex is more like a natural phenomenon than a manufacturing plant. It seems to move to a rhythm of its own, sucking in iron ore, labour and other raw materials at one end, and pumping out cars at the other. It seems inconceivable that the stroke of an accountant's pen could bring this enormous industrial machine to a halt. But bit by bit that is what has happened.

Henry Ford first suggested building a fully integrated *manufacturing facility* in 1918. The idea was to make all the components for a car within a single complex. And it still has some of the trappings of the grand design of the past: a power station which generates enough electricity to serve a city the size of Boston; over 100 miles of railway track and 18 Ford diesel locomotives. But gone are the two iron foundries, the battery plant, the tyre factory along with transmissions, radiators, and electrical parts.

"We constantly face the threat of work being transferred elsewhere—outsourced to somewhere else in the US or abroad. But Ford's initial idea was insourcing, and ironically that is what General Motors have done at Buick City, and Volkswagen at Wolfsburg. But the company seems to be happy to let the Rouge go," says local union president Bob King.

Mr King's Local 600, the United Auto Workers organisation in the area once had a membership of 90,000—the army of people who worked in the Rouge in the 1950s and 1960s. Now after automation and decentralisation, the Rouge employs just 18,000. In the past eight years employment fell by half.

Since 1982 when the company came to the bargaining table looking for concessions the union has been treading a tight rope.

"We wanted to cooperate then and we did, with a wage freeze profit sharing, greater flexibility and the like—and we are prepared to hold to our side of the bargain in the future, we have to be flexible. But we can never be sure that the company really wants to hold to their part of the deal," says Mr King.

While eight out of ten union members the new company values of people, products and profits, extolling co-operation, the management still turns all too easily to the threat of "outsourcing," to get what they want in industrial relations.

Nevertheless, Mr King admits some things have changed for the better. In a room down the hall from his office, union members were tapping away at word processors on a company-sponsored training course. According to Mr King: "That kind of thing would have been unimaginable eight years ago—the whole company training programme since 1982 has been enormously popular."

There is also greater involvement and information than there used to be. It is now much more common for the company to open up its books. And there has been investment in the Rouge plant.

In the largest single plant conversion in the company's history the Dearborn engine facility was turned into one of the most modern in the US, at a cost of $650m. The outlook for workers there looks rosy. But it stands cheek-by-jowl with plants which have not been much changed since the Second World War.

"I do not think the union is going to split into two groups—one made up of the high productivity workers in modern plants—and the other drawn from workers in older plants, threatened with closure. The links of solidarity are too strong in the Rouge," says Mr King.

Nevertheless, the union has changed in the past few years. According to Mr King, profit sharing is here to stay, as is a willingness to contemplate changes to working practices, and job classifications. The union has also recognised the need to reach out beyond the Rouge to maintain its base. Of the local membership, 2,000 are health workers, organised through a membership drive which last year netted the national UAW a further 30,000 new members.

"We have to be flexible, to be able to respond to the different challenges that the company is throwing us. We cannot be tied to the old rules of the past about how a union should behave."

But Mr King emphasises that flexibility does not mean capitulation. "The good things that we have now — like the national training programme, and schemes to guarantee the income of laid-off workers have not been bright ideas suggested by management, they have only come through hard negotiation, and the union showing its strength."

And the uneasy truce between union and management, going backward and forward between conflict and co-operation is likely to continue.

After two years of good profits there is a growing sense in the Local that the time of reckoning has come. The concessions demanded of the union in the early 1980s still rankle, and according to Mr King the Local's members want to see whether the company will live up to its side of the bargain, by investing in the Rouge and lifting threats of outsourcing.

"You can have as much training, employee involvement, protected employee programmes, and profit sharing as you like—but its no good if you do not have a job.

"The company does give us more information but there are tremendous threats facing this industry over the next 10 years, and we have this constant worry that the company are not really addressing that issue honestly with us. It is all too possible that in 10 years' time the Rouge will be just assembling cars manufactured elsewhere."

People in the area talk of the Rouge as if it has a personality. Though a young, progressive union leader, Mr King admits to a fascination with the power of the ageing industrial giant. He started work there in 1972, turning down a place at post-graduate law school to take up a Ford apprenticeship, for the chance to work in the midst of the Rouge.

Seeds of resurgence

If anyone wants to know where the *real* economy is they should come to the Rouge, for as Wall Street goes into its daily frenzy, politicians squabble in Washington, and Ford accountants do their sums in neat offices, the dirty, smelly, Rouge *throbs on. It is hard to believe it* conid be different. As one union member pnt it: "It would be like flooding the Grand Canyon."

The unions are, of course, trying to recover some ground. The AFL-CIO has formed a highest-level committee on the Evolution of Work, whose second report, in February 1985, recognised that "unions now face employers who are bent on avoiding unionisation at all costs (the committee estimated employers spent $100m annually on doing so) and who are largely left free to do so by a law which has proved impotent and a Labor Board that is inert." It somewhat optimistically saw some "seeds of resurgence," and called for a range of improvements and changes of attitude, the first among which was to abandon the sledgehammer, everybody's-the-same approach in favour of "multiple models for representing workers tailored to the needs of different groups."

David Schecter, an AFL-CIO economist, says that "one way the AFL is adapting to changed demands of membership is to offer them other reasons for being in the union — like individual benefits. We are about to launch a new credit card service for members at a 14 per cent interest rate."

And John Zalusky, a collective bargaining analyst at the AFL-CIO, reflects that "this in a sense is moving the unions back to some of their older roles as friendly societies — *giving* members direct benefits rather than just trying to represent them through collective bargaining."

In the US, union oblivioo is *freqoently talked of as not only* possible, but inevitable: the unions are still on their mettle to prove it otherwise.

Ron Todd of Britains' TGWU

The FT jobs poll

FUTURE OF WORK

THE unions will face continuing pressure from changing patterns of employment in the major economies over the next four years, the Gallup poll shows. Unions are unrepresented in firms and sectors of employment growth, while strongly *unionised firms project* well below average employment growth.

Will new jobs be beyond the reach of unions?

Firms with more than half their workforce organised in unions will show net job growth of only 2.8 per cent, less than one tenth the average growth for all firms.

Though *non-unionised firms* will have only an average employment growth rate they will be far less prone to job losses. Non-unionised firms make up 53 per cent of the sample but only 29 per cent of the firms projecting job losses.

In contrast, while a *quarter of firms* have more than half their workers in unions, they make up 42 per cent of the firms expecting to shed labour. This trend is most *marked in Britain* where strongly unionised firms make up half the sample but account for 90 per cent *of* the firms planning to cut the labour force.

Unions are underrepresented in areas of employment growth. Service employment will expand more than manufacturing in every country except the US. Outside America services will produce net employment growth of 34 per cent compared to manufacturing growth of 4.75 per cent.

But 63 per cent of firms with more *than half their workforce unionised* are in the manufacturing sector, while 73 per cent of service firms are either non-unionised or have less than a quarter of their workers in unions.

Small businesses will be a major source of job growth but 74 per cent of them are non-unionised. In the US 88 per cent are non-union, in France 82 per cent, Japan 80 per cent and *Britain* 65 *per cent.*

Only one in 10 small businesses have more than half their employees in unions.

New technology will be another source of job loss, according to the poll. But unions make very little difference to firms' plans to introduce new technology. Just over a quarter of the firms introducing new technology have half their workers in trade unions. Workers in firms which are heavily unionised do not show a marked resistance to technical change. Across the sample 21 per cent of firms said their workers *resisted the introduction of new* technology, but only 19 per cent of heavily unionised firms reported resistance.

Will unionised firms establish ways to involve their workers in decision-making outside normal collective bargaining?

Forty-two per cent of firms say they do or plan to involve their workers in production decisions through meetings and discussions outside the normal trade union channels. Joint consultative committees of some kind are most common in Japan, with 68 per cent of firms using them, followed by 62 per cent in France and 52 per cent in Britain.

One third of these firms say that these new channels of communication will become more important than negotiations with trade unions. Only 19 per cent of the British employers adopting this approach to industrial relations say it will outweigh trade union bargaining.

Are unions the source of pay problems?

Japanese employers think that the industrial relations climate will be the most important factor influencing employment there in the next two years. Sixty-five per cent of Japanese employers say this would influence employment compared with a low of 16 per cent in Great Britain.

Only one-fifth of employers say that union strength would affect pay within their firm, though 47 per cent of the firms surveyed are unionised.

Paradoxically, although Japanese employers are most worried by the *industrial relations climate, only* 5 per cent think that unions will affect pay within their firm, compared with 15 per cent in France and 16 per cent in Britain.

Given the unions' low influence in British pay negotiations, it is not surprising that 82 per cent of British employers think that another round of trade union legislation would be unlikely to help in maintaining or *increasing employment.*

Among strongly unionised firms, 64 per cent think that labour costs are a factor which will influence employment, compared with an average across all firms of 58 per cent.

In West Germany, 48 per cent of firms say they think an incomes policy would help to boost employment, compared with an average of 12 per cent elsewhere. British employers also show strong support for a new incomes policy: 59 per cent say they would support a new agreement between the Government and unions, though only 9 per cent say they think this would generate more jobs.

9

POLITICS

A 'victim class' caught on the path to progress

THE EXPRESSION of coocern over nnemployment is the necessary component of political rhetoric of our days. At the very lowest, it is the trihute that vice (or policy vacuousness) pays to virtue (or remembrance of full employment past). Of the major industrial economies, only Japan does not suffer from high, structural unemployment: only the US, with an unemployment rate at 7.1 per ceot has actually reduced its jobless. The big West European states, especially the UK, are caught in iis grip.

Much of the agenda of international policy formation derives from this concern. The Tokyo summit in May 1986 provided a forum for further pressure on Japan and West Germany to reflate in order to provide jobs in Teesside and the Mezzogiorno. The European Commission'o debates on lowering the barriers to market freedom within the Community are couched in the language of labour market efficiency designed to create employmant. Debates on the immorality of South African apartheid swirl round the rock of the objection that effective sanctions mean loss of jobs in the industries of its trading partners. Governmeot ministers, including Prime Ministers, fly about the globe to act as super salesmen (and women) so that they may announce that their timely intervention with the king of ber or their *special* relationship with the presideot of there bas created or saved a thousand jobs among their own voters.

The expenditure on employment measures, and the inventiveness of government responses, has been nnparalleled in history. In part, this is because all Western Europeeo countries had adopted social insurance and other welfarist programmes when unemploymeot was seen as a largely frictional and residual problem: now, these entitlemeots are proving bugely costly to service. No *government can afford* simply to pay the benefits and wait for the day—relatively distant in some cases—when demographic factors rescue them: all must actively intervene in their labour markets to make work, raise the training level of the unemployed and encourage new relationships beween public provision and the private sector.

It is not a movement which can be mnch distinguished on political grounds. Tony Hubert, a researcher at the European Centre for Work and Society in Maastricht, says that "it is difficult to ascertain differences between so called right-of-centre and left-of-ceotre governments in not only the amount of pnblic finance they have devoted to this field but also to the changing nature of their epproaches."

The cbart gives some of the main programmes in the *four* big European economies: most of these have been initiated, or at least greatly exteoded, in the 1980s. Taken together, they indicate a huge intervention into a world—*the* labour market—once largely unregulated: it is an irony that this very great expansion of the state has taken place against the hackground of a rightwards shift (at different times and speeds) in the politics of all the major industrialised ecooomies.

Reagan & Thatcher

The two radical political figures of the west in the 1980s have been coosrvatives: Ronald Reagan and Margaret Thatcber. "I believe," said Mr Reagan in January 1982 in the second year of his presidency, "that we have started government on a different course, different than anything we've done in the last half century since Roosevelt begao with the new deal." Five years into *her* premiership, Mrs Thatcher said that "I believe that five years ago the British people made me Prime *Minister* primarily because they sensed that socialism had been leading them o life of debilitating dependency on the state when wbat they really wanted was the independence and freedom of self-reliance and responsibility."

Though both politicians, especially Margaret Thetcher, are cootroversial and at times divisive figures—particularly, in recent times, on foreign policy issues—they have seen under their leadership the develop*ment of* a relnctant consensus on et least some issoes of their domestic policy: and nowhere bas this been more evident then in the employment field. In the US, and more particularly in Western Europe where the labour market has been more tightly regulated and structured, the rhetoric of free enterprise, individualism and anti-statism has been ingested not just into political dehate, but into policy formation and even into lenguage and programmes of opposition parties.

It is the Left whicb has felt the beat most over the past few years of unemployment growth, the left whicb has mede, or has been forced to meke, the largest change of ground. In none of the six major edvanced countries does a party of the Left hold power—eveo in Italy, wbere the socialist Bettino Craxi is Prime Minister, the Right bas thn largest share of the governing coalition: and this hegemony of the *Right co-exists* with, and *in* part because of, a groping bewilderment on thn part of the Left as to what it would do with the ecooomy in geoeral, and the unemployed in particular.

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Daniel Bell, the Harvard sociologist, says that a Democratic administration pledged to a liberal (leftist) programme is impossible while that programme is not seen to have a coherent answer to US domestic issues, including employment change and industrial policy. In the last Presidential election a union-backed Walter Mondale came a poor second to an incumbent president who won many union members' votes. This was a vivid display of the loss of authority by a group which may be unable again to find a Democratic (or a Republican) candidate who will campaign on the issues that attract organised labour. They include import controls, high public spending, support for declining industrial areas, opposition to state-level right-to-work (anti-union shop) laws and support for collective bargaining. Of recent Presidential aspirants, only Mr Mondale and Edward Kennedy have made these concerns a part of their programmes: no one on the horizon is likely to do much more than genuflect towards them. Americans have not become less socially liberal overall (*pace* the moral majority); but, as Brian Girvin, an historian and commentator on conservative politics notes, "the rejection of economic liberalism, which is associated with inflation, has been the motor for Reagan's success."

In Western Europe, the most recent and most notable socialist experiment was that undertaken by the French socialists, voted out of office in March 1986. Their combination of Keynesian expansionism, redistributive taxation, enlargement of the state sector and reform of collective bargaining held at bay unemployment — but it also contributed to a thrice-devalued franc, rising inflation, a balance of payments deficit and a swing to the Right. France was pursuing demand-led growth at a time when all other major market economies were retrenching: as Robert Lekachman of New York's City University, a friendly commentator on the country, put it, the lesson was "that socialism in one medium-sized country is unworkable if that country's major trading partners pursue substantially different national policies."

Dr Lekachman pushes the thought a little further, noting that the necessary conditions would be co-ordinated moves to the Left in Western Europe, together with a Left Government in either the US or Japan, the only economies large and rich enough to go it alone — and the most conservative. "Socialism, in short, has its fairest prospect where it is least likely to occur."

These thoughts provide the basis for reflection within the French socialist party — still the largest in the Assembly — during the Chirac Government's honeymoon period. The debate taking place within and around the party is, contrary to the lurch to the Left of the British Labour Party after it had lost power in 1979, very much within the framework of the centre-left: the period of austerity which the socialists administered in the last three years of their Government has not provoked widespread charges from within of treachery — though these charges are being made by a presently failing Communist Party.

Indeed, some of the strongest arguments come from the Right of the party, where former members of the Government are seeking to find an accommodation with socialism and a base of supporters no longer conforming to an undifferentiated description of "working class." Among those who have taken the lead in this debate is Paul Quilès, Defence Minister in the last year of the Socialist Government: for him, the party's commitment, in its 1971 declaration of principles, that the majority of workers should abolish class and take for themselves the means of production and exchange, is old hat.

Says Mr Quilès: "Who would still define the socialist party by reference to the notion of the 'class front,' the up-to-date version of the class struggle? Social classes exist, certainly, but economic, cultural and technical changes have so altered French society to the point where its social structure does not depend on 'who does what' but also on 'how' and 'for whom.'

Further discussion has been somewhat muted because of the need to support the embattled Socialist President Mitterrand until elections two years' hence. But at the party convention in the Paris suburbs of Pré St Gervais at the end of June, something of the same current emerged. Laurent Fabius, the former Prime Minister, told the conference that the party must now be responsible in its criticisms—"For we are no longer condemned to govern for a few months every 20 or 30 years. We have become the alternative party of Government; without abandoning our objective of transforming society, we must refuse to take an all-or-nothing attitude."

Mr Quilès' message was taken right into the party itself: on March 22, soon after the socialists' (narrow) defeat, he told the executive committee of his party that concepts such as the class front, a break with capitalism and workers control ("autogestion") were no longer relevant and had to be dropped. "Some utopias cannot be flourished any more," he told them, "even if they were forces for mobilisation before 1981, *because we have confronted them with the proof of power*."

The need to re-think and re-order the priorities of socialism spreads throughout the democratic socialist movement of Western Europe: *all* parties of the left are seeking to reassemble a political/ideological base. Donald Sassoon, a historian at London University, says that the Right's electorally successful critique of the state has "contributed to the crisis of Left politics and engendered a welcome wave of self criticism."

Mr Sassoon distinguishes three responses to the "crisis": from those socialist parties in power, or with a share in it—as the Spanish and Italian—has emerged a centrist strategy which "ends up by accepting most of the neo-liberal critique of the welfare state and in particular the concept of overloaded government"; from sections of many parties, a continued fidelity to class politics and hope in the ultimate collapse of capitalism; from two major parties, and sections of all, a "Europeanist" option which accepts the case that socialism cannot be attempted in one economically isolated country and that a European community, at once strengthened and democratised, is a necessary companion to future Left progress.

The Italian Communist Party and the German Social Democrats have constructed an improbable "alliance" around this last current. Achille Occhetto, a senior official of the PCI, willingly cedes that "no coherent left exists as yet," and that "the conservative offensive has established a new agenda for the debate between free marketeers and social reformers." Mr Occhetto challenges the European Left to put itself at the head of necessary modernisation which "can only be achieved if it is prepared to abandon its traditional defensive and sectarian attitudes. Then, and only then, could it open a debate with a section of the strong, those for instance involved in the new technology, the new professional classes and those forward looking entrepreneurs who are willing to work towards employment and growth in the context of a new framework of industrial relations and democratic control of the economy." Mr Occhetto is emphasising the PCI's adoption of a democratic socialist position and its rejection of a class struggle strategy. Gianni de Michaelis, the (socialist) Labour Minister in the Italian Government, gives, in the interview published in this supplement, the socialist/centrist strategy for coping with market and technological pressure.

The German SPD has, since its loss of power in 1982, moved to *incorporate* some of the concerns of the "Greens" (it proposes now to pursue economic growth within ecologically defined guidelines), become more overtly responsive to the needs of the third world, taken a more sceptical stance on Nato nuclear policy (while still maintaining a large and hostile distance from unilateralism) and emphasised the trans-European nature of future policy.

Peter Glotz, the party's secretary general (and a member of the federal parliament) has in his "Manifesto for a New European Left," published last autumn, gone furthest in proposing a European strategy which recognises the shifts in support, and the loss of national sovereignty, with which the Left must come to terms. Says Mr Glotz: "The Left must grasp this once and for all. The minimum return that must be offered to investment-seeking capital—to make productive investments and job creation possible—is less determined today by the policies of individual nation states than ever before."

This modesty in aims and conception of powers affects the British Labour Party, too—a party more battered than any of its European comrades over the last eight years by internal struggle and electoral drubbing at the hands of the Right. Since its defeat in 1983, a new leadership and mid-term Conservative unpopularity have combined to thrust it to the head of the polls, with leads of up to 8 points over the *Government*, or *over* the Alliance parties: but the schism in the British Left in the 1980s (the genesis of the Alliance of the Liberals and the new Social Democrats) remains the largest block to a future majority Labour Government.

Pulled in to the centre to find votes and to recognise precisely those economic and social factors which now engaged the continental Left, the Labour leadership has responded with a pragmatism unthinkable in the early, left-galloping eighties. Neil Kinnock, the party leader, has served notice that he means to continue a Conservative law which enforced ballots for union elections and before strikes, while at the same time conducting a guerrilla war on the far left and *taking time* to commend the Japanese industrial system; Roy Hattersley, his deputy and shadow chancellor, has in a range of speeches advanced a highly revisionist definition of socialism which accords a large place to markets.

Mr Hattersley concedes that "our (Labour Party) attitudes towards markets have sometimes been wrong"—and joins the European Left chorus in agreeing that "socialism is in desperate need of a reassertion of its basic philosophic position." His tentative proposals are that "a substantial market sector is essential both to the promotion of efficiency and to the maintenance of a free society" (this last a leaf from the *Conservative book*—though not invested, as he says, with their "moral significance")—but also *that* "*markets* cannot in themselves guarantee either the optimum distribution of resources or the maximum satisfaction of individual desires and needs," though "in some sectors of the economy they can contribute to both ends."

All this is closer to Euro-pragmatism than to Euro-communism or -socialism: it is founded on a common sense of loss of base, a common analysis that the "working class" is no longer automatically "our people" and that some at least of the advances made by the Right have to be preserved (and may even be worth preserving).

Common too: a tacit sense that the "dirty work" being effected by Governments of the Right would have had to be done or *already* has been done, by Governments of the Left. The UK Labour Government's adoption of mild monetarism, the German SPD's repatriation of guest workers, the French socialist Government's austerity programme, the Italian socialist-led coalition's de-indexing of inflation-proof pay rises—all of these *furnish* the main *Left* parties in Europe with the "proof of power," and have powerfully moved them away from any residual Utopianism.

Those who again take power—and the SPD and the Labour Party will mount serious bids in the next year or two—will probably find the terrain as rocky as before, though the German Social Democrats would benefit soon both from demographic changes and from a still-existing corporatist framework. A future Labour Government, however, would find a debilitated union movement, a virtual collapse of the tripartite forums, a largely privatised economy and—perhaps worst—wage increases still running ahead of inflation, because one of the goals the Conservative Government has *not* achieved is bringing down wage rates in order to assist job creation.

In Britain, as elsewhere, parties of the Left criticise the creation of a society where the majority have found security and rising *living* standards in work but where the minority out of work, or only *occasionally* in it, are both relatively *and* absolutely more impoverished than before. Peter Glotz calls it the "two-thirds society," in which the majority quietly accepts the degradation of the lower third. The democratic problem is, of course, that two-thirds can always outvote one third—and thus how can a new deal be struck between the haves and the have nots which gives the latter some hope and the former *something to vote for*?

Charles Hendy makes the point thus in the context of the UK: "This, then, is the most crucial choice which the 80 per cent of the relatively fortunate in Britain have to make. Will they hang on to what they have and devil take the hindmost in a cruel world, or are they prepared to give up part of their jobs and with it a part of their income, for a fairer society?" It *is not* a choice *that* will be presided over by governments of only one political stripe.

The superstructure

Mass unemployment and labour market revolutions have produced more changes in the *political* superstructure, though, than angst on the Left. As important, it has invited participation *in the labour market and, therefore, inevitably, in the political market*, of corporations.

This is not, of course, new in itself. The private sector has played a political role for centuries: indeed, one of the origins of mercantile capitalism lay in financing Governments. But in our own times, we have accepted *a de facto* division *of* labour between the state, as provider of education, social security and even full(ish) employment—all areas into which private enterprise has now trespassed, and will continue to do so.

We have seen how business has come into the community, seeking to defuse the social reaction to its own strategies of retrenchment and do itself *some* public relations good. But the conception of business as the guider of the nation's fortunes, while comprehending these initiatives, goes beyond them.

Alain Chevallier of Moet is a particularly frank exponent of this theme. He says: "The really positive factor here is the coming together of private initiatives. Governments are exhausted and without imagination. *Besides*, there are in Europe enterprises, centres of research, investors, innovators and problem-solvers. A space in the West where private initiatives can act and express themselves is in the process of being formed. It is unified space, driven by the markets and the forces of exchange.

"*I no longer look to* politicians and to their programmes as being capable of getting us out of our present problems in a rational and voluntary way. We're moving towards a more or less feudal society. In coming years, concentrations of power, action and decision making will appear. They won't substitute for the existing political powers, which are *usually* territorial: they will be concentrations of economic forces."

The concentrations of economic forces, the new feudal baronies, will in Mr Chevallier's view effect a transition from an economic world dominated by macro-economic concerns to one dominated by the micro level solutions. It begs huge questions: but who can say that the lines of development leading to *such a society* are not to be detected in place?

Japan (with a real feudalism in a more recent past than most advanced societies) can be said to be already there. The big companies, with internally cultivated managers the toughest of whom rise to sit on company boards where they find little challenge to their authority from the representatives of the shareholders, already operate *small welfare states within* their boundaries. They co-operate closely with the bureaucracies, especially Miti, and spend lavishly to ensure the constant re-election of the Liberal democrats as governing party. Their actions overseas, as the export of Japanese capital speeds up, will change the policies and politics, *the industrial relations* and labour movements, of the states in which they operate.

But companies will not be able to operate a "new feudalism" untrammelled. The moves in that direction, if confirmed, will meet opposition or modification in these parts of society which corporations cannot control and for which Governments must continue to take responsibility: the barons will find more or less *powerful* kings, or Governments, willing to curb their powers. The *multiplicity* of pressures on businesses in environments where more is expected of them is well illustrated by that long-time multinational corporation, Ford.

Inside Ford

"In the past to be a good businessman you only really had to be interested in cost and price. In the future the good businessman will also have to be a good politician."

Competitive pressures on business are growing not just in the labour market, and the car market, but also in the market for *political* acceptability, according to Pete Pestillo.

Mr Pestillo is Ford's vice-*president responsible for* developing the company's new co-operative labour relations strategy. But his job goes beyond the hard graft of handling union management relations.

"*Labour* relations is just a part of communications and persuasion more broadly. Unions *are just one* coalition that we have to deal with. In the future we will increasingly have to deal with claims from Governments, other businesses, consumers, and environmentalists. A much more broader coalition of interests."

The pressures on businessmen to become more politically adapt come from within and outside the company.

Inside the company Ford has developed a new approach to labour relations, particularly in the US, which centres on the Employee Involvement Programme. This mimics Japanese quality circles, which the same aims of enhanced efficiency and quality.

Ford executives think the programme is essential to ensure the future firm's future competitiveness. But *according* to Mr Pestillo it carries far reaching implications for the running of the company.

"In the past we used to pay high rates to dolts because they were easy to manage. Now we *have* to include people much more in the day-to-day decision about production, and we hope *the system will spread through* our operations.

"The next stage of employee involvement *takes us into the* question of who runs the company, of governance, the arena *of a truly jointly-run business*," he says.

But the politics of involving the *workforce are compounded* by pressures to cut employment. Since 1981 Ford US had laid off 53,000 hourly manufacturing employees. Over the next few years it plans to reduce its white collar staff by about 20 per cent.

In the past these workers would have left with no more than a pat on the back and special unemployment benefit. But according to Mr Pestillo the company now has to recognise a responsibility to *them*, their families and the economy outside Ford.

"This kind of change can have such an impact on the individuals involved and the economy outside that we have a responsibility to try to control the dislocation to ensure a soft landing through retirement and *retraining* programmes. The recognition of the responsibility not to just cast people aside is *something* new."

Decisions affecting the local labour markets in Michigan or Genk are at one end of the spectrum of political pressures on Ford. At the other are decisions about its multinational operations: outsourcing and joint ventures.

These decisions, which may once have been straightforward matters of profit and loss, have turned into political footballs, where companies cannot afford to be politically naive, and passive.

Outsourcing of production has introduced much needed competition into labour costs, says Mr Pestillo. But that *benefit has* been won at the expense of plunging Ford into politics.

The economic logic of the industry will continue to drive companies towards joint ventures, but their extent will be *limited* by what is politically acceptable. Overcoming these political obstacles is not just a matter *of good lobbying*.

A marriage, Italian style . . .

"WE NEED a mixture of deregulation of the labour market and state intervention in it."

Gianni de Michelis, who launched a debate about the future of work in Italy while Labour Minister in the Craxi government is with these words pointing to an intriguing marriage of ideas about work normally found at different points of the political spectrum.

Governments should break down the barriers which have sprung up on the path to a more freely running labour market. But they should not be afraid to step in and help things on their way if they fail to reach their destination: full employment or something like it.

In other words, any formula to combat unemployment must come in two parts: measures both to encourage more flexible *working patterns* and to channel jobs in directions, like Italy's depressed south, where they would not naturally flow.

This two-pronged treatment proposed by Mr de Michelis flows from a two-fold diagnosis of the causes of unemployment: the slowdown in growth among the major economies plus the *inability of ossified working* patterns to cope with new social and technological demands being put on them.

"What we considered work 10 years ago was very different from what we will consider work to be in the future," Mr de Michelis says, citing two examples of these changes:

● Job rotation. "The model of work used to be of a secure job in a unionised workplace," he says.

But not any longer: workers will have to become more used to switching jobs and employers. "We will have to think more of job rotation and less of job satisfaction," Mr de Michelis argues.

● Self-employment. Mr de Michelis sees more self-employment as the most radical sign that secure jobs in large organisations are in decline. In Italy, even excluding the small businesses which *fall through* the official net, more than a quarter of all workers are already self-employed.

He goes further to talk of a blurring of the distinction between employed and self-employed, just as there has been a merging of blue and white collar work. In Italy, the networks of small entrepreneurs who do work on contract for the giants like Benetton have *some* of the characteristics of employees (complete dependance on one company) and some of those of the self-employed (flexibility in their own working arrangements).


de Michelis: thoughtful

Mr de Michalis is a Socialist. Yet he welcomes the trend away from the large, regulated, unionised organisations with which the Left has traditionally felt most comfortable.

"Our problem is to accept these changes and to accelerate them. We need to reduce the gap between the job destruction in the old industries and job creation in the new industries," he says.

Only thus, he believes, can we lay down the conditions for what he calls "the 21st century's full employment."

He emphasises two initiatives which run with the grain of these changes:

● Deregulation and flexibility. "Until a few years ago, our labour market was completely regulated," he says. And not without exaggeration. Italian laws are still rigid in areas like hiring and firing. When recruiting new workers, companies must take those offered by the state labour exchanges. If they lay workers off, they have to hire the same ones if they expand later.

Negotiations between the Italian Government, employers and unions have begun the painstaking task of chipping away at these laws.

"We want deregulation, not for ideological reasons, but because it will help changes in our labour market. We are on the road towards flexibility," he says.

He wants more part-time and temporary jobs, virtually absent from the non-black areas of the Italian economy thanks in part to the inflexible labour laws.

Put at their lowest, the aim of these measures is to persuade the black, "submerged economy" to surface: more ambitiously, they are designed to encourage new patterns of work throughout the Italian economy.

● Self-employment. Mr de Michelis is keen to encourage young people to start their own businesses, partly to dent the 30 per cent youth unemployment mountain in Italy, but also because he thinks there is a gap here in enterprise creation.

In the past, he says, most small businesses in Italy have been formed by workers leaving larger organisations to go it alone: the "work-to-work" route, as he calls it.

Mr de Michelis wants to encourage young people to move straight into small businesses: the "school-to-work" route. He has developed aid packages for that purpose.

Yet side-by-side with these liberalising, free market initiatives, Mr de Michelis and the Italian Government are busy operating employment schemes of the more traditional kind, like a panoply of measures to help the Mezzogiorno, the depressed south.

Does this pragmatic blending of measures from both camps—the liberal and managed views of the labour markets—offer a way out of the ideological warfare of the 1970s and 1980s?

The FT jobs poll

WHAT WILL the next few years hold for women's employment, part-time *and other "peripheral" workers*, youth and the long-term unemployed?

Will the trend toward higher female employment continue?

Overall 42 per cent of firms expect to employ more women than they do now, and even 32 per cent of firms which plan to shed labour expect to nevertheless employ more women, the Gallup poll shows. This trend is strongest in Japan and the US where around 60 per cent of employers plan to expand their female workforces, and weakest in France and West Germany where 24 per cent of firms expect to employ more women. This growth in women's employment will not be exclusive to the service sector, 40 per cent of *manufacturing* firms overall, and 65 per cent in the US expect to take on more women.

Will women increasingly move into traditionally "male" areas of work?

Forty per cent of employers say that women are now doing jobs in their firm that were only done by men in 1980. Overall 52 per cent expect this move to continue whilst only 1 per cent expect it to be reversed.

The shift will go furthest in Japan where 70 per cent of employers think they will in future employ women in jobs now solely done by men, followed by 65 per cent in the US, and 53 per cent in Britain. West German employers expect the smallest change, with only 28 per cent expecting to employ women in areas of work traditionally dominated by men.

Why will employers be taking on more women?

The main driving force behind this shift towards *women playing a bigger* role at work is that more are applying for jobs. Fifty-two per cent of firms reported this as factor behind higher female employment. The next most important factor was that women have special skills, mentioned by 36 per cent, whilst only 13 per cent said it was because women are prepared to work for lower wages. The major exception to these trends is in West Germany where 64 per cent of employers who plan to take on more women, said it was because they were willing to work part time.

Will there be a big growth in part time and other forms of flexible working?

Part-timers are used by 64 per cent of firms overall, but West Germany is well above the average with 86 per cent of firms using part timers, while France is well below average with 44 per cent.

Staff on fixed-term contracts are the next most widely used group of flexible workers. They are employed in 38 per cent of companies overall, by 64 per cent of West German firms, but by only 16 per cent of British firms. The next most important group are staff from temporary agencies, which are used by 32 per cent of firms. Only 7 per cent of firms employ homeworkers, though this rises to a peak of 17 per cent in West Germany.

German firms emerge as the most flexible, with an average of 40 per cent of firms using some kind of *flexible workers compared with an average of 27 per cent elsewhere*. This may well explain why German *firms are far less likely than firms* elsewhere to sub-contract work.

However, part-time and other "flexible" workers make up less than 10 per cent of the workforce in most firms.

Only 3 per cent of firms expect to employ more part time and flexible workers while 7 per cent expect to cut their use of flexible workers. However, a relaxation of laws governing part time work would induce 46 per cent of French firms to expand employment, and 41 per cent in West Germany. Firms employing part timers show slightly below average job growth of 16 per cent, compared with an average net job growth across all firms of 20 per cent.

Firms employing part timers and other forms of flexible workers are no more likely to be profitable in two years' time than firms who do not employ flexible workers. However, the group of firms which employ homeworkers do show better than average profitability, probably because of the overhead savings that come from homeworking.

Will lower youth pay lead to higher youth employment?

A little over half the firms say they would take on more workers below the age of 24 *if the differential* between youth and adult pay was 15 per cent wider. This would be mosteffective in boosting employment in Japan where 59 per cent of firms say they would expand employment, and Britain where 54 per cent of firms say they would respond favourably to such a change.

What are the prospects for the long term unemployed?

Only 26 per cent of firms say they are not reluctant to take on the long term unemployed. Reluctance to take on long term unemployed who may have lost skills and work habits is strongest in Japan, where 74 per cent of firms say they are very or fairly reluctant to take on the long term unemployed. Firms in countries with high levels of long term unemployment are by and large less wary of the long term unemployed. In Britain 40 per cent of employers say they are reluctant, and 41 per cent in West Germany.

What is to become of the work ethic?

The work ethic has weakened in all of the major economies in the last 10 years, and will continue to decline in the coming decade. The poll shows that 94 per cent of German employers think that less importance will be attached to hard work in the coming decade, compared with 84 per cent in Japan, 52 per cent in Britain, and 44 per cent in France.

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These decisions, which may once have been straightforward matters of profit and loss, have turned into political footballs, where companies cannot afford to be politically naive, and passive.

Outsourcing of production has introdnced much needed competition into labour costs, says Mr Pestillo. But that benafit has been won at the expense of plunging Ford into politics.

The economic logic of the industry will continue to drive companies towards joint ventures, but their extent will be limited by what is politically acceptable. Overcoming these political obstacles is not just a matter of good lobbying.

"To be a successful, accepted company it is no longer anough just to provide a good product at the right price," he says. "For instance we do not have a strong manufacturing presence in Italy. Would we sell more in Italy if we produced more there, if we provided more employment? Would be be seen as more of an Italian company? These kinds of factors affect sourcing decisions not just labour costs."

The choice between making cars at Halewood, in the UK and at n new plant in Portugal at a wage rate of three dollars an hour, is n hard one, says Mr Pestillo. "We are making a very good Fiesta in Spain, with people who used to be onion farmers.

"But could we nfford to lack a manufacturing presence in a major market, and run into all the political problems of switching production. I do not think we could even if it meant business sense."

So in the pursuit of effieiency multinational businessmen will have to turn themselves into politicians, to ease social and political constraints on their business actions.

"In tha past, governments played the crucial role mediating conflicts of interest. In the future we as a company will have to deal with interest groups directly to be successful," says Mr Pestillo. "We will have to deal with national and local politicians, consumer groups, the unions, environmental groups. Businesses will have to deal with these broad coalitions as well as workers, suppliers and consumers."

And this will require a revolution in the way management sees its role. In a shifting economic and political environment just keeping things ticking over will no longer be enough.

"In the future executives will have to provide more than good business management, wa will have to provide something altogether different: leadership. That ls something we have been very bad at in the past."

The European Round Table, the aix senlor husinassmen brought together initially by Per Gyllenhammar, chairman of Volvo, is one of the best examples of the new stah at Mr Pestillo's goal of *social* leadership now being made by husiness. Its latest report, "Making Europe Work" (to be puhlished later this year) shows the industrialists grappling not jnst with familiar topics like Government aid and public purchasing policy—but with demography, education and social division. It does not signal inhibitions about intervening in what was once the guarded preserve of politics: instead poses central questions to which European policymakers in government and hnsiness must address themselves.Can this tide of unemployment be made to turn? Can we marshall our endless analysis of the causes of the crisis and our piecemeal experience in dealing with it so far into an effective programme?

The use of "we" puts the industrialists inside the policy debate explicitly, as the subjects rather than the objects of policy formation. It is not a position they are likely to cede.

From this flows a number of qnestions: if the corporation is strengthened as a part industrial, part political actor, what is the role of Government—and of trade unions? How far *can* n private initiative, inevitably partial and ultimately inevitably self-interested, replace a political process which gains legitimacy, at least in theory, from the popular vote? How far will private intervention be regarded as legitimate, how far will it set up new tensions—especially between the corporations and their members and those who find themselves outside of the feudal walls?

There is no global answer to these questions, nor even one common to the advanced states: as we have seen, developments within their industrial cultures ehow strong differences as well as factors in common. Further, we sbould be wary, as some forecasters are not, of being determinist about a future because industrial and technical changes seem to dictate a certain model. Ian Miles, a senior research fellow at the UK's Sciance Policy Research Unit, says that "the mass consumption model, the growth of public education and welfare services, increased wages and leisure time, were all achieved through political processes, reflecting changes in class structure etc, rather then passively flowing through from changes in productton."

In Japan, Germany and to a lesser extent Italy, the corporatist model which is seen, at least in the first two, to be still serving the country's economy well, will retain a political attraction for the foreseeable future.

In France, the defeat of the Left has given new encouragement to liberalisation tendencies at a time when the union movement is particularly weak and defensive: the issue is dramatised by the current split within the Patronnat, between its president, Yvon Gattaz, who favours a flecible, somewhat anti-corporatist style which would implicitly at least further downgrade the unions' social partnership role, and Yvon Chotard, who (with the backing of the present Government) wishes to retain some balance in industry so that change can be negotiated and mediated. On July 11, Gattaz, seeing that Chotard's approach was winning out, resigned: a new president—perhaps Chotard, perhaps a compromise—will he elected later this year.

In the UK, economic liberalisation over the past seven years has helped greatly to reduce the power snd influence of the union movement to the point where the main opposition party, Labour, must detach itself somewhat from it in order to look credihle as a potential governing force—hut the uniona remain relatively strongly organised in most sectors, and have been ahle to defend (without mnch of a fight, in most cases) their members' living standards.

In the US, a corporate industrial style which includes the union movement is not seriously on offer—hut general political concero will continue to be focused on Japanese and other far eastero competition and on the ability of US workers to make improvements in educational and productivity standards to compete.

A flnal, unifying paradox: as all the advanced states, in one way, or .to one degree, or another, have had to become more actlve in labour markets, so their parties of Left, Right and Centre have recognised, often explicitly, that the social and industrial fragmentation we have witnessed in these markets also means a fragmentation politically. Shirley Williams, former Labour Minister and herself a prime mover in the fragmentation of British politics when a founder member of tha Social Democrats, comments that the unemployment which hit the advanced world in the 1930s bound together whole working class communltles, which created a bedrock for socialist and Communist parties: but the solidarity which survived the Second World War weakened as incomes grew ln real terms, as tha occupational structure favoured technical, professlonal and white collar johs, as women entered the labour force.

"'Proper' jobs, full-time, traditional jobs, turned into zealously protected quasi monopolies of the employees, and overheads for the employers. The losers were part-time workers, the young and those, like many married women, moved in and out of the formal labour force. Often, those lucky enough to be employed did not want to be told about those without jobs. While those employed in blue-collar or white collar johs strengthened their defences and improved their material position, the unemployed became poorer."

An "employment underclass" is not new: but its composition has greatly changed. Yesterday's labour aristocrats, once contemptuous of those on the margins like women, now find themselves on the scrap heap as women keep and get jobs the middle-aged and elderly find no prestige attached to age: the unskilled young find no one wants their muscles.

This is the greatest challenge to democratic politics: how to continue to ensure material progress without using a larger or smaller victim class which acts as a now mute, now rebellious sopport for the advance of the rest. It is thrown up acutely in our times snd will he so ln the future: no answer has yet been found.

Gnvernment action on jobs

ACTION	W GERMANY	FRANCE	UK	ITALY
To reduce direct labour costs	Govt. called for wage moderation	Wage restraint and general austerity measures since 1983. Civil Service pay frozen	Govt. called for wage moderation	Scala mobile, or automatic indexation of wages, reduced
To reduce indirect labour costs	Companies and workers' contributions to Fed. Emp. Inst. reduced	Future increases in Soc. Sec. payments to be met by employee	Nat. insurance conts. redistributed to encourage employment of low paid	
Incentives to hire	Short-time working subsidy paid, 1982/84	"Chomage partiel" short time working subsidy available	"Job start" prog pays £20 to long term unemployed accepting job at £80 a week or less	Cassa intergrazione scheme pays workers for terms of unemployment until rehiring
Unemployed entrepreneurs	From Jan 1987: standard benefits to be paid to unemployed who set up own businesses for 3 months	"Chomage createurs" prog. continues, assists 45,000 unemployed annually	Enterprise Allowance scheme subsidises 80,000 unemployed to start small businesses in 1986	
Reducing labour supply	Small subsidies — 775DMs in 1985 — paid to employers to encourage early retirement	State-subsidised retirement pensions for early retirees.	Job Release scheme covers 57,000, gives subsidies for one year early retirement.	
Training	Govt. encourages companies to take on more trainees.	Contracts with companies to provide training for one year	Two-year youth training scheme guarantees training for all: Technical and Vocational Educational Initiative gives industrial in schools	Companies subsidised to take on trainees up to 65,000 a year for 1 year
Job placement	Special attention to help long-term unemployed	Individual approaches to unemployed after 4 and 13 months	Counselling to long-term Unemployed: "Jobclubs" — self-help in job finding	
Social employment	Subsidies at state level to provide work of community benefit.	Young unemployed paid to do community and public sector work	Community Enterprise Prog. for long-term unemployed.	
Increased flexibility	Extension of term emp. contracts from 3-6 months: new workers can have short contracts for 18 months (24 months in new companies)	Flex. working time negotiations continue; relaxation of prohibitions on short term contracts.		

Source: Tony Hubert, European Centre for Work and Society, Maastricht.

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people to find—or create for themselves—more low-paid jobs, of which the extreme example is selling matches at street corners. Thus the pressures would increase on citizens who aleady face much less attractive conditions than their fellows. Whomever else such policles helped, it would not be the unemployed.

But having rejected policlea for starving the unemployed hack to work, it would still be desirable for people on the dole to be able to earn somelhing extra in e legal way without losing their social security entitlements, both to top up their own Incomes and to contrihute to the tax hase.

Entitlement to Social Security for non-retired adults is largely conditional on specific misfortunes, such as unemployment. This system has difficultiea ln coping with peopla who are occasional, casual or part-time workers, or who hava very low earnlngs.

It is possihle to move away from statua related benefits ln two opposite ways, either of which may be an lmprovement.

The first is to move to income related benefits. The model for this is the Family Incomes Supplement (FIS) which is to be transformed into the Family Credit, which, it is hoped, will have a much higher take-up. Further ateps along this route would be to mske the benefit availahle to all households with or without children whose incomes fall below the hasic minimum. Above that minimum the payment would taper off.

The second alternative would be the soclal dividand for all households, irrespective of earnings and with no taper. The model for this also exists already in child benefits, which are universal, not means-tested and are not clawed hack.

The social dividand would be paid as of right. It would enahle people who are content to live at a conventional suhsistence scale to do so—on the grounds that a rich society can afford to have some people "opting out." Any work done to supplement this minimum would attract tax at tha normal rate, and there would be thus no unemployment or poverty trap.

The hig disadvantage of a social dlvidend is that it would be extremely expensive. If it were fixed at current snpplementary benefit level it might mean a hasic rate income tax of 50 or 60 per cent (and a still higher tax take if indirect taxes are included). The advantage of selectivity and means testing is that it concentrates help where it is most needed and can therefore be more generous while being less expensive. Its disadvantages include the inevitable probing into household affairs, the problem of uptake, and the inevitability of high implicit marginal tax rates as benefit is taken off. This is the source of the unemployment and poverty traps.

The advocates of integrating tax and social security into a negative income tax do not always realise that this is in itself only a desirable administrative simplification. The designers of the integrated system will still have to choose between alternative principles in drawing up the scales of net payments.

Although the social dividend is Utopian at present, it need not remain so. But if there is anything in the dream, or nightmare, of a world with a few microchips or robots to do all our work, then by definition the earnings of capital will one day be sufficient to provide incomes for all, aven if labour earnings are low.

Tha socIal dividend could be paid through the social security systam ss n negative income tax. Alternaively, a similar result could be achleved by a much more widespread citizen ownership of an equity take in the nation's capital assats, achieved through the redistrihtution of shareholdings.

A drawback of the share owoership route is that, es some citizens will dissipate their capital, it will be less effective in relieving poverty, and it will prohably require e fresh redistribution of holdings as wealth ls passed on from one genaration to tha next.

Nevertheless, citizen shnres are more clearly property rights and less liable to every gust of the politicsl wind than socisl security psyments. The link with return from capital is much clearer; and if it were successfully achieved there would be no further grounds for being opposed to profits or worrying about an increase in their share of the national income.

Moreover, a start could be made on a small scale, eg by the free distrihution of privatisation shares. A tiny beginning is heing made in the casa of gas, hy making availahle a small amount of free shares to workers in the industry. The citizen ownership principle requires that they be distributed to all adults—or at least allocated on some universal principle—eg to the retired, or to young people coming of age.

Eventually, citizen ownership would require the "watering" of existing equity holdings. From the heginning, ordinary citizens hody would start to have the advantage of a modest investment income, hitherto confined to a small minority. Eventually, these holdings could be enough to give all households a choice between living on rentier income or topping up that income with earnings from work. The benefits of a "modest competence" were enjoyed by the members of the propertied classes of the 18th and 19th centuries, such as those who figured in Jane Austen's novels. The only thing wrong is that they were available to so few. A modest competence available to all can be regarded as the culmination of popular capitalism or libertarian socialism, alike.

These matters are not a digression from unemployment, but central to the problem. Classical economists who rightly argue for market rewards to factors of production usually fail to face the problems of those whose work has a low market value. Popular capital ownership might enable us to bypass the whole problem of "scroungers" by allowing those who want to do so to embrace that status without approbrium.

* *See Samuel Brittan, Two Cheers for Self Interest, Institute of Economic Affairs, 1985 (Wincott Memorial Lecture).*

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"The sharp rise in unemployment between 1980 and 1984 was accompanied by an impressive deceleration in inflation," he says.

"Yet although unemployment rates are generally projected to level off or increase somewhat more over the period 1985-1988, inflation is expected to remain relatively stable."

Both these comments address the same worry: that despite a lengthy period of high unemployment wage inflation has not slowed enough to price workers into jobs. Why has pay not responded enough to restore near to full employment? And why is it that ever increasing amounts of unemployment seem to be needed just to keep inflation stable?

The stubbornness of wage inflation has prompted a search of new explanations for what obstructs competitive downward pressure on wages.

One possibility is that the wave of reforms introduced by the Thatcher Government in the UK, and others in Europe, to free up the labour market may not have gone far enough.

Despite radical reforms to the legal position of UK trade unions, the "trade union mark up," which is a measure of the extra pay that a worker receives just for being a member of a union, stands at a record level in the UK. According to calculations produced by Professor David Metcalfe of the London School of Economics, the mark-up rose from 8 per cent in 1979 to 12 per cent in 1983.

Allied reforms to minimum pay legislation, individual employment protection, and employers' social security contributions may free up the bottom end of the labour market. "These reforms may well have some impact but its clear that the problem of wage pressure comes from the well paid rather than the lower paid," says Professor Nickell.

Between 1980 and 1984 workers in the bottom 10 per cent of the UK earnings distribution took a real wage cut, whereas those in the top 10 per cent enjoyed a real wage rise of 13.6 per cent.

The rolling programme of trade union, and labour market reform may rightly be regarded as one of the most significant achievements of the Thatcher Governments. But it is clear that there are sources of pay pressure which structural reform has failed to cap.

A second possibility is that the general level of unemployment may be a poor guide to the extent of competitive pressure in the labour market. The rise in unemployment in most of Europe, and particularly in the UK, is largely due to a rise in the share taken by long term unemployment.

"The majority of people now as earlier are never unemployed, while those who are unemployed nowadays really get it in the neck," says Professor Layard.

The growth of long-term unemployment raises serious questions of social and distributive justice, but as the OECD Employment Outlook points out, it becomes an economic trap.

"Many of the long-term unemployed are in the most depressed areas where the chances of finding work are very low. The mere fact of being out of work for a long period of time may itself be a negative signal to employers. Finally skills and work motivation may deteriorate through disuse."

So though the long term unemployed are counted in the active labour force, many have become so discouraged that they no longer really compete for jobs. This means they exert little downward pressure on wages.

This has led some economists to suggest that a demand expansion targetted at the long-term unemployed in depressed regions could be a macroeconomic free lunch.

"Getting the long term unemployed into work would hardly diminish the counter inflationary impact of the current level of unemployment," says Gavyn Davies. "Indeed if training and job experience made the long term unemployed more of a competitive force in the labour market it could conceivably lead to higher employment and a lower real wage."

Programmes to reintegrate the long-term unemployed into the labour market thus have a social and economic rationale.

New economic analysis and industrial relations research shows that it is these workers and firms which are the source of pay pressure. But why should these firms calculate they will reap greater profits by keeping their existing employees and paying them above the market clearing rate rather than taking on new labour at lower wages?

"The need to retain skilled workers in a competitive market and our profitability are the major factors influencing what we pay skilled people," says John Kerslake, head of personnel at Barclays Bank.

"The reality is there is more than one England, and unemployment does not affect pay bargaining very much especially in the south east."

In strictly economic terms it may be in firms' profit seeking interests to pay above the market clearing rate to reap productivity gains over a period of years. The net benefits of this approach may well outweigh the rewards of taking on low wage labour with all the attendant redundancy and turnover costs.

Firms may well strike implicit contracts with their key employees by offering them secure well paid employment, insulated from the competitive force of the labour market.

"If you rented a warehouse on a long let, the rent would not vary according to the periodic business position of the renter. Why should it be different with labour that firms want to keep for a long period," says Prof David Mitchell of the University of California.

And unions have a strong incentive to go along with a company personnel policy which offers stable, well-paid employment for their members.

Unions are not a grey mass of identical workers who automatically have common interests. The widespread practice of distributing redundancies on a "last in-first out" basis means that unless the entire firm is faced with closure, senior workers may feel little threat of losing their jobs.

While the most vulnerable workers might see some merit in taking a pay cut to protect their jobs, they could well be outvoted by senior workers who do not need to offer a lower wage to secure their employment.

So in some European countries the rise in unemployment may just have redirected the wage inflation problem rather than solving it.

As one senior OECD official puts it: "The continuing problem of wage rigidity may be best explained by the conflict of interest between employed workers, and managers, who are on the 'inside' sitting at the pay bargaining table, and the unemployed 'outsiders.' They have no place at the table, and that is particularly true of the long-term unemployed. It is a plausible story."

It seems that the only factor which has and could lower wage push from the secure insiders is a rise in unemployment: permanently high but stable unemployment may pose too small a threat.

The "insider-outsider" approach suggests that outsiders cannot force themselves into the bargaining process, even if they all wanted to. And even if the unemployed outsiders could find a place at the pay bargaining table employers may calculate it is not in their interests to accept lower wage offers.

As two Oxford University economists Derek Morris and Peter Sinclair note in a recent review of international unemployment: "until recently it was thought that unemployment would be temporary, arising from adverse shocks and the transitional costs of bringing down inflation. But there are reasons for believing that unemployment breeds unemployment."

Labour markets

"Simply because one knows no solution one is inclined to turn a blind eye to the wages problem in a full employment economy," wrote Keynes in 1945.

The lesson from the UK and other European economies over the past four years, is that wages can still be a problem in a high unemployment economy.

Of course, the rise in unemployment has produced wage moderation. "The period 1982-84 was the longest period of unit labour cost stability recorded since 1958-59," the OECD notes in a recent review.

But despite this moderation there are problems. Ever increasing amounts of unemployment are required to keep inflation stable. Between 1963-73 unit labour costs in manufacturing in the major seven OECD economies grew at 3.2 per cent per year. During this period unemployment in these economies was 3.05 per cent.

But in the following decade despite higher and rising unemployment averaging 5.9 per cent over the period, unit labour costs grew by 7.6 per cent per year.

The accompanying table shows OECD estimates of how more and more unemployment has been required to keep wage and price inflation stable.

Unemployment is an extremely costly way of controlling pay inflation. So in the past few years economists and policy makers have searched for new ways of restraining wage growth.

As a starting point one could look at how labour markets function in relatively successful employment economies.

In "The Economics of Worldwide Stagflation" Bruno and Sachs drew up an index of labour market efficiency with two dimensions.

The first is the degree of "corporatism" in wage setting: simply whether unions, employers and the Government come to an agreement over the permissable level of wage increases, and enforce it. Bruno and Sachs argue that this relies on well established channels of consultation, an underlying social consensus, and centralised bargaining. This gives union leaders and employers' federations the clout to bring recalcitrant members back into line.

The two economists find that the more corporatist economies were able to slow inflation much more effectively over the 1970s and early 1980s.

Their findings are confirmed by a more recent study completed at the London School of Economics.

"We found that unions are not necessarily bad for employment. It depends how they are organised in bargaining," says Professor Charlie Bean. "Labour markets can work efficiently with unions, if they have a high degree of corporatism."

The other dimension of the Bruno and Sachs index of labour market efficiency is "money wage responsiveness." They find that in the US and Canada it takes a relatively long time for price increases to be reflected in subsequent wage bargains.

"In most countries prices are evenly and completely reflected in prices within 18 months," says the OECD's David Coe in a recent report. "In the US it takes four years for price rises to be fully transmitted to wages."

Unit Labour Costs in Manufacturing (% changes p.a.) & Unemployment (% labour costs)

	Lab costs 1963-73	Unemp 1960-73	Lab costs 1973-83	Unemp 1973-83
US	2.4	4.80	7.0	7.55
Japan	3.9	1.25	2.8	2.1
Germany	4.0	0.80	4.4	4.6
France	3.1	1.30	10.8	6.1
UK	4.8	1.95	14.3	6.6
Italy	5.3	5.3	16.4	7.55
Canada	2.4	5.1	9.9	8.3
Total	3.2	3.05	7.6	5.9

New ideas on pay

The choices facing Governments with a pay problem are stark. One is to pursue a policy to encourage the competitive characteristics of US labour markets. But freeing up labour markets is a long haul.

Another is to pursue some kind of centralised incomes policy, along the lines of the highly corporatist economies. But in the UK for instance incomes policies are associated with the political turmoil of the 1970s. This casts doubt on their economic effectiveness.

So a third option is to look to new ideas like profit sharing, or tax based incomes policies to reform pay bargaining. But the attraction of their novelty also brings the risk of uncertainty.

"There is a menu of new ideas on offer which claim to meet these goals and which the authors claim could be usefully applied throughout the OECD, and not just in high unemployment countries.

Estimate of how much unemployment is required to keep inflation stable %

	US	Germany	France	Italy		Netherlands	Japan		UK
1967-70	3	1	2.5	4½	1970-75	4	1	1956-66	1.96
1971-75	6	1.5	3.5	7	1976-80	5	1½	1967-74	4.02
1976-80	6	3	3	6½	1981-83	10½	2	1975-79	8.20
1981-83	6½	8	8	6½				1980-83	10.47

All estimates from David Coe "Nominal Wages and the NAIRU and wage flexibility" OECD Economic Studies — Autumn 1985 except for UK — from Layard and Nickell "Unemployment in Britain" Centre for Labour Economics January 1986.

Profit sharing

Interest in profit sharing has been stimulated by the low unemployment of Japan where profit related bonuses are an important part of pay for large numbers of employees. The UK Chancellor has embarked on a consultation process with the prospect of tax breaks to encourage firms to introduce profit sharing.

The economics popularised by MIT economist Martin Weitzmann are relatively simple.

If pay is fixed and demand for a firm's output goes down, then the most direct way to cut labour costs is to reduce employment. If pay were related to profitability through a profit-share bonus, pay would vary and not employment.

So profit-sharing is good for maintaining employment. What is less clear is that it will generate extra employment.

Martin Weitzmann says that profit-sharing firms will become "labour seeking vacuum cleaners, sucking in labour." In a wage system the firm has a stark choice. The employer knows that if it hires an extra worker it will have to pay the going wage, say £100. But that extra worker may only generate £90 in revenue. The firm would have no incentive to hire because the extra costs would outweigh the extra revenue.

But in a profit-sharing system the firm's incentives would be dramatically altered. If pay were set as a share of revenue, then no matter how much extra revenue was created there would always be something left over for the firm: the extra costs of hiring a worker would always be below the extra revenue generated.

"The traditional wage system offers a fixed money compensation for a majority who have work," says Weitzmann. "But no guarantee of full employment and a raw deal for those without work. A share system offers full employment to all at variable pay that may fluctuate."

Nevertheless, there are problems with the profit-sharing approach. Initially at least those already employed would stand to lose, because pay for all in a firm would go down as more people were employed.

Tax concessions could smooth the way to cushion employees from excessive variability. But there must be a danger that these tax breaks could become embedded, and the scheme could become a straightforward tax subsidy on employment.

The most fundamental problem however is to do with the sharing of risks. Employees would be required to forego a fixed, relatively secure wage for the sake of expanding employment. Because of the increased risks workers may legitimately demand a greater say in the running of the business. To be effective profit sharing might require a transformation of business organisation and culture.

Incomes policy

The best known and most widely respected tax based incomes policy (TIP) is the brainchild of Prof Layard.

Simply a tax on wage settlements above a certain norm would alter the incentives of both employers and unions.

"It would be up to the firm and those who it bargained with to fix whatever pay packages they wanted," says Prof Layard.

So for instance if a firm paid a worker £1 above the norm it might also have to pay the tax authorities an extra £1. This would discourage firms from being easy going about pay.

But the unions would also realise that a £1 increase to them would be a £2 increase to the employer and put jobs at risk. But it would penalise the most efficient and innovative firms, who might well regard pay rises above the norm as justified because of productivity gains.

One of the main attractions of the plan is that it would roll on like any other tax: it would run itself. But the lack of politics could also be a drawback. It relies on a national norm being established.

"However clever modes of enforcement, no incomes policy is likely to work unless there is a fairly widespread understanding of the rationale for the policy and a fairly widespread acceptance of it," says Professor Ronald Dore.

Two-tier pay

Advocates argue that if firms find it unprofitable to employ more workers at going rates of pay a second lower tier of pay for all new workers should be introduced. The pay of those already employed would not go down, as it would initially under profit sharing, so they would not object.

Some labour market economists would say that the labour market in the UK is developing toward a clear two-tier system.

"The outcome of current Government policy is likely to be two clear segments of the labour market, much more distinct than in the past," says Oxford University industrial relations specialist Ken Mayhew. "On the one hand there is likely to be a core of workers with relatively secure jobs, reasonable career prospects, and pay. And on the other there may well emerge a group of secondary workers with poor pay, low security and few prospects."

The development of a rigidly two-tier market raises all kinds of questions of social justice. But it would still leave a major economic problem. Pay pressure is coming from the high earnings groups, the core of the workforce. There would be little or nothing to cap this pressure,

Copies of this report are available from the Press Office, Financial Times, Bracken House, Cannon Street, EC4. Price £4.50.

The FT jobs poll

WHERE WILL jobs be gained and where lost in the major economies over the remainder of the decade? Is manufacturing employment in inexorable decline in every country? Will small firms be the only source of job growth? Will profitable firms expand their workforces or will the route to profitability lie through further labour shedding? Will new technology create as many jobs as it will destroy? Will more jobs in the future be for part time workers and women, beyond the reach of trade unions?

To answer these and other questions about the future of work The Financial Times commissioned a special poll of employers in the five major economies. The Gallup polling organisation, interviewed 1,041 employers in the US, Great Britain, Japan, West Germany and France, in the first weeks of June. These are the main findings. Further details are available through the sections of the report.

Which countries have the brightest employment outlook?

Overall 78 per cent of employers think that employment in their country will get worse or stay at the same level over the next four years.

In the five countries 32 per cent think unemployment will get worse, while 21 per cent think it will get better. Japanese employers emerge as the most pessimistic, with 55 per cent expecting unemployment to rise, while only 4 per cent think it will get better. German employers are the most optimistic: 42 per cent think unemployment will fall whilst only 12 per cent think it will rise. In Great Britain employers predicting a rise in unemployment outstrip those foreseeing a fall by 24 per cent.

However, a look at employers' plans for their own firms reveals a slightly different picture. American firms emerge as by far the most optimistic.

In the sample as a whole 37 per cent of firms expect to take on staff in the next two years, whilst 17 per cent expect to shed labour: a net job growth of 20 per cent of firms.

However 51 per cent of American firms expect to employ more people in two years time, a net job growth of 40 per cent of firms, twice the average. Net job growth will be 22 per cent in Japan; 17 per cent in Great Britain; 15 per cent in West Germany, and just 5 per cent in France.

Will job growth be concentrated in services or will manufacturing grow as well?

Service employment will expand more than manufacturing employment in every country except the US.

Fifty-nine per cent of US manufacturing firms expect to take on workers in the next two years, and the manufacturing sector shows net job growth of 49 per cent. This compares with an average net job growth of 4.75 per cent in the manufacturing sectors of other countries.

However, the US service sector will also perform well in the next two years, and across the sample as a whole the service sector shows net job growth of 34.75 per cent. In Britain, West Germany and Japan, service firms make up 38 per cent of the sample but account for nearly half the job growth.

Banking and finance will be the leading employment growth sector in Britain, with 83 per cent of firms expecting to recruit staff, and Japan with 60 per cent expecting to employ more.

Will growth only come from small firms?

The small business sector will provide the largest net job growth in every economy except the US, where medium-sized firms will generate most jobs.

In the small business sector, a net of 37 per cent of firms expect to expand employment in the next two years. This compares with an average for all firms of 20 per cent, and no net job growth in the big firms sector.

The US small business sector leads the others with 43 per cent net job growth, though US medium-sized firms do even better showing 59 per cent net growth. The Japanese small firm sector will enjoy job growth in 40 per cent of firms, while the British small business sector will produce 37 per cent net growth.

Big firm employment will grow, but at below average rates in every country except France (33 per cent net decline), and Britain (6 per cent decline). Firms employing more then 1,000 workers make up around one fifth of the sample as a whole but account for 39 per cent of the firms projecting job losses.

Will profitability be the route to more employment or will labour shedding be the route to profitability?

Sixty nine per cent of firms expect to be profitable in two years time. The major exception to this cross country trend is in Japan where only 24 per cent of firms expect to be clearly profitable in 1988. Great Britain leads the field with 84 per cent, followed by the US 79 per cent West Germany 78 per cent, and France on 70 per cent.

Firms expecting to be profitable in two years' time account for 74 per cent of job gains, and nearly half the job losses.

However, labour shedding is more likely to be a route to profitability in Britain than anywhere else. In the sample as a whole 12 per cent of profitable firms expect to cut jobs, but in Britain half the firms that forecast future profits expect to shed labour.

Will new technology create as many jobs as it will destroy?

In every country more firms using high technology will expand than decline. But net job growth in the high technology group of companies will be 16 per cent, below the average net growth of 20 per cent for all firms.

Only in Britain will firms using high technology show stronger job growth than firms using low technology. Outside Britain firms using low technology will show above average employment growth of 24 per cent. The only exception to this trend is in the US where firms using medium technology will put in the best performance (38 per cent net expect to take on workers).

Overall 45 per cent of firms said they had plans to introduce new technology which would affect employment in their firm. Japanese firms will lead the push with 68 per cent planning to bring in new technology. British firms are second with 59 per cent planning to introduce new technology. But there is a clear link between new technology and job losses. Firms expecting to introduce new technology make up 45 per cent of the sample as a whole, but 64 per cent of the firms projecting job losses, and only 37 per cent of firms expecting to take on more workers.

How will the unions fair?

Non-unionised firms are far less likely to suffer job losses than firms with more than half their workforce unionised. Non-unionised firms make up 53 per cent of the sample as a whole but only 29 per cent of the firms who project job losses. However, non-unionised firms make only an average contribution to job growth. A quarter of the firms surveyed had more than half their workforce unionised but they account for 42 per cent of the firms forecasting job cuts.

This trend is most marked in Britain where heavily unionised firms make up a little over half the sample, but formed 90 per cent of the firms planning to cut their workforces.

Across the five countries, firms with more than half their workers in unions will show net job growth of 2.8 per cent, a fraction over one tenth the average growth rate for all firms.

Will there be a big shift towards part time, and other flexible forms of working, and will firms moulding flexible workforces show stronger employment growth?

In the last few years there has been growing interest in the "flexible firm." The poll asked questions about various forms of flexibility. The main results are:

●Contracting out has been and will be a major source of job loss. In five years' time 55 per cent of firms in the major economies will be contracting out some of their work to other firms. This ranges from a high of 82 per cent in Japan, and 61 per cent in Britain, to a low of 34 per cent in West Germany.

Whereas in the sample as a whole there will be net growth in 20 per cent of firms, this will amount to only 3.8 per cent in firms contracting out.

Those firms intending to increase the amount of contracting out they do make up 22 per cent of the sample as a whole but represent 35 per cent of the firms expecting job losses.

●Across the five countries 34 per cent of employers said they intended to pursue flexibility within the firm by compressing job classifications and cutting demarcation lines. This ranges from 50 per cent in France, to 35 per cent in Britain, with Japan and the US in the mid-twenties.

Firms intending to compress job classifications project net job growth of 11.8 per cent, well below the average growth figure. While firms planning this change comprise around a third of the overall sample they make up 44 per cent of the firms expecting to employ fewer people.

The link is strongest in Britain where the move to simpler job categories is a factor behind job losses in 59 per cent of he firms expecting to shed labour. In contrast in France and West Germany the compression of job classifications generates strong job gains as well as job losses.

●Overall 64 per cent of firms use part-time workers, 38 per cent use workers on fixed term contracts, 32 per cent use workers from a temporary agency, and only 7per cent use homeworkers. German firms emerge as the mos flexible. On average 42 per cent of German firms use some kind of flexible workers, compared with an average of around 27 per cent elsewhere.

There will not be an explosive growth in part time and other forms of flexible working.

Only about 3 per cent of firms expect to increase their use of flexible workers, whereas 7 per cent expect to reduce their reliance of flexible workers.

Firms employing part timers show slightly below average employment growth of 16 per cent. Only in Japan do firms employing part timers show better than average employment growth. Firms employing part timers make up 64 per cent of the sample as a whole but account for 72 per cent of firms projecting job loss.

Are firms introducing new technology and flexible forms of working more likely to be profitable in the future?

Firms introducing new technology and flexible forms of working are not more likely to be profitable, the poll shows. In the sample as a whole 64 per cent of firms expect to be profitable. Firms employing part timers make an average contribution of 69 per cent, as do firms contracting out.

Just over 70 per cent of firms introducing new technology and simple job categories expect to be profitable. So firms introducing these changes are not more likely to be profitable as a result.

●Will more of the jobs of the future go to women?

More than half the firms expect women to move into jobs traditionally done by men. This trend is strongest in Japan where 70 per cent of employers expect this change, and the US (65 per cent), and weakest in Germany (28 per cent). Overall, 42 per cent of employers expect to be employing more women than they are currently. Though most of this growth will come from firms expecting to expand employment, 32 per cent of firms who plan to cut jobs expect to employ more women than they currently do.

The main reason behind the growth of job opportunities for women is just that more are applying for jobs.

Fifty-two per cent of employers quoted this as a reason for taking on more women, compared with 39 per cent who mentioned special skills, and 36 per cent women's willingness to work part time.

What changes would be most effective in expanding employment?

Only 13 per cent of firms say that nothing would induce them to expand employment. A tax concession linked to hiring new workers is the most popular with 40 per cent of employers saying this would lead them to take on more workers. This would be particularly effective in France where 54 per cent of employers say this kind of tax concession would boost employment and Germany where 49 per cent say it would. Abolition of minimum wage legislation consistently ranks as the least effective way to boost employment, with only 7 per cent of employers saying this would induce them to boost employment.

Demand expansion is the second most effective measure overall with 35 per cent and most effective in Britain (48 per cent).